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MUNITIONS INDUSTRY

HEARINGS

BEFORE THE

SPECIAL COMMITTEE
INVESTIGATING THE MUNITIONS INDUSTRY
UNITED STATES SENATE

SEVENTY-THIRD CONGRESS

PURSUANT TO

S. Res. 206

A RESOLUTION TO MAKE CERTAIN INVESTIGATIONS
CONCERNING THE MANUFACTURE AND SALE
OF ARMS AND OTHER WAR MUNITIONS

PART 7

SEPTEMBER 18, 19, AND 20, 1934

FEDERAL LABORATORIES, INC.

Printed for the use of the
Special Committee Investigating the Munitions Industry

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WASHINGTON: 1935

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U.S. Congress. Senate.

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INVESTIGATION OF MUNITIONS INDUSTRY

TUESDAY, SEPTEMBER 18, 1934

United States Senate,
Special Committee to Investigate
the Munitions Industry,
Washington, D. C.

The hearing was resumed at 10 a.m. in room 310, Senate Office Building, pursuant to taking of recess, Senator Gerald P. Nye presiding.

Present: Senators Nye (chairman), George, Clark, Bone, Pope, and Vandenberg.

Present also: Stephen Raushenbush, secretary.

The Chairman. The committee now wishes to hear Mr. John W. Young.

TESTIMONY OF JOHN W. YOUNG

CORPORATE STRUCTURE OF THE FEDERAL LABORATORIES

(The witness was duly sworn by the chairman.)

The Chairman. Be seated, Mr. Young, and give the committee your name, your residence, and business address, and your official connection.

Mr. Young. My business address is 185 Forty-first Street, Pittsburgh, Pa. I am president of the Federal Laboratories. My residence is Kilbuck Township, Pittsburgh, Pa.

Mr. Raushenbush. Mr. Young, you were asked to bring certain things with you this morning. One of them is a copy of all the minutes of the directors' meetings and executive board meetings before 1933. Have you brought those?

Mr. Young. I have, sir. Those are the minutes and also the stockholders' minutes back through 1932 [handing papers to secretary].

Mr. Raushenbush. Are you handing me herewith a complete set of all the minutes of the board of directors and the executive committee, if any, which took place before the reorganization in 1933?

Mr. Young. I am.

Mr. Raushenbush. You are?

Mr. Young. Yes, sir.

Mr. Raushenbush. We also asked you to bring with you samples of certain of the articles which you sell. Did you bring those?

Mr. Young. I brought those which you had mentioned, but anything else which we sell I did not bring with me.

Mr. Raushenbush. Will you explain them to the committee and explain not only the trade names but the effect of all of these particular articles?

Mr. Young. This one is a tear-gas hand grenade [exhibiting sample]. That is known as our "jumbo-size" grenade [exhibiting second sample]. This is known as the "standard size."

Mr. Raushenbush. They are not loaded, I take it?

Mr. Young. No, sir. Those same containers can also be loaded with dm or what is chemically known as "sickening gas." That is the tear gas, the technical name of which is chloroacetophenone [exhibiting sample]. This is the sickening gas. The chemical name is diphenylchloroarsine [exhibiting sample].

Mr. Raushenbush. You load these grenades with either one of those two crystals?

Mr. Young. That is right.

Mr. Raushenbush. What other products have you brought with you?

Mr. Thompson. I have brought a Thompson submachine gun.

Mr. Raushenbush. You are the exclusive agent in North and South America for the Thompson submachine gun?

Mr. Young. We are, sir [producing sample].

Mr. Raushenbush. This is a wooden model only?

Mr. Young. Yes, sir. I thought it would be safer to bring that down here.

Mr. Raushenbush. What other products do you sell in addition to those two-sized grenades and the Thompson submachine gun, which you have here presented to the committee as exhibits?

Mr. Young. We sell tear gas, for illustration, in banks, to be used against daylight hold-ups. That is a very large department in our business, and has stopped 17 hold-ups so far and captured 21 bandits.

Mr. Raushenbush. You also sell other articles, such as bombs?

Mr. Young. That is a rather distinct part of our business, and separate from our regular line, in what we call our export or ordnance business, which covers airplane bombs and airplane-smoke screens.

Mr. Raushenbush. What kind of airplane bombs do you sell?

Mr. Young. Demolition and fragmentation.

Mr. Raushenbush. Can you describe the difference between those two briefly?

Mr. Young. Demolition is purely for explosive purposes, and they are both loaded with TNT. Fragmentation is for the dispelling of fragments of metal.

Mr. Raushenbush. Do you also sell the kind of bombs which set fire to houses, and that sort of thing?

Mr. Young. Yes, sir; we sell incendiary bombs.

Mr. Raushenbush. Incendiary bombs in addition?

Mr. Young. Yes, sir.

Mr. Raushenbush. That completes pretty thoroughly the list of articles which you sell?

Mr. Young. Yes. We have sold some airplane bombs loaded with tear gas.

Mr. Raushenbush. Outside of the tear gas and the vomiting gas, you do not sell any other kinds of gas?

Mr. Young. No; we do not.

Mr. Raushenbush. Will you describe briefly, as you understand it, the effect of your tear gas?

Mr. Young. As the darky said, when that gas hits you, no matter what you are doing, you immediately begin thinking about doing something else. It closes your eyes, due to an irritation, and makes you want to get away from it. It does not overcome a person to make them unconscious. They can walk about, but they cannot see where they are going. I am speaking now of a normal concentration. There are light concentrations. where it is not so effective. The effects wear off probably in 10 minutes after entering clear air. I myself have been subject to it in fairly heavy concentrations, three or four hundred times.

Mr. RAUSHENBUSH. Do you sell what is also known as "poison gas"?

Mr. YOUNG. No; we do not.

Mr. RAUSHENBUSH. In your sales to some of the foreign countries, particularly Cuba, have you ever sold poison gas?

Mr. YOUNG. No; we have not.

Mr. RAUSHENBUSH. What kind of gas have you sold there?

Mr. YOUNG. Just these two.

Mr. RAUSHENBUSH. I wish to read at this moment from a military authority who has seen this gas in operation, and the sentence reads:

> * * * Most victims of poison gas, except the more severe cases, usually contract tuberculosis of a type commonly known as "galloping consumption." It is my understanding that practically all of our gas casualties in the World War that did not succumb within a few days contracted this malady, and there are today, 15 years after the war, very few of them who have survived.

Does not that seem to be somewhat in contradiction to the statement which you have made with respect to gas?

Mr. YOUNG. No, sir. That writer is speaking of the use of lethal gases. These are not lethal gases. There is a folder put out by General Gilchrist, Chief of the Chemical Warfare Service, which gives you a very clear report on the after effects of gases during the war. General Gilchrist is a medical doctor and I think is considered an authority on that subject.

Mr. RAUSHENBUSH. The gas described here is described as a poison gas used in Cuba. The quotation goes on:

> It may be stated that the Cuban Army has had almost no training in the use of poison gas nor has it had any experience in its effect. To permit the use of poison gas by undisciplined troops, untrained in the proper use of the gas and excitable as these Cubans are by nature, would create havoc not only with their opponents and innocent residents in the vicinity, but very probably among their own men.

Do you know any other American firms that sold gas down there?

Mr. YOUNG. No; I do not; but this writer, whom I do not know, appears to be misinformed, because the Cubans were trained in the use of this, and it was not poison gas.

Mr. RAUSHENBUSH. There seems to be an argument about that, which we will come to later. You have the headquarters of your company at Pittsburgh and most of the assembling of your products is done elsewhere. Is that correct?

Mr. YOUNG. On the military end it is correct.

Mr. RAUSHENBUSH. What do you do in your Pittsburgh office?

Mr. YOUNG. Our Pittsburgh plant is devoted primarily to the manufacture of tear gas for bank protection and police use.

Mr. RAUSHENBUSH. For your own company you showed assets in April of this year of $376,552?

Mr. YOUNG. That is right, sir.

Mr. Raushenbush. The explanation of that would apparently be that some other companies did a great deal of your assembling. That is true?

Mr. Young. Yes, sir.

Mr. Raushenbush. Would you name the other companies which supply you with your main products or do your assembling?

Mr. Young. Harrisburg Pipe & Pipe Bending Co., of Pittsburgh, do all our forging work.

Mr. Raushenbush. For the bombs?

Mr. Young. Yes, sir. The Atlas Powder Co. in their plant at Tamaqua loaded those bombs.

Mr. Raushenbush. Where do you buy your products for your demolition bombs?

Mr. Young. The Atlas Powder Co.

Mr. Raushenbush. Is that the only company which supplies you with any powders or explosives?

Mr. Young. The du Ponts loaded a small number of them.

Mr. Raushenbush. With TNT?

Mr. Young. That is right.

Mr. Raushenbush. You have given the names of your largest suppliers. There are many others, are there not?

Mr. Young. There are many others, which I have turned in in a list to the committee.

Mr. Raushenbush. Have you representatives of any of these companies on your board of directors?

Mr. Young. Mr. Penniman, of the Atlas Powder Co., is one of our directors.

Mr. Raushenbush. Your board of directors has changed somewhat in the past few years, has it not?

Mr. Young. That is right.

Mr. Raushenbush. I want to read to you a report made by another company about this and ask you to check it for correctness. This had to be done in that manner, because we did not save the full minutes of the directors' meetings prior to the reorganization. Will you just check this as of October 31, 1932? That is before your reorganization.

Mr. Young. All right.

Mr. Raushenbush. The company had 30 employees in the Pittsburgh plant and 35 salesmen.

Mr. Young. I would assume that is perhaps right; probably a little more than that.

Mr. Raushenbush. The directors of the company, all residents of Pittsburgh, are: Chairman, Walter Rae, structural steel contractor; John W. Young, president Federal Laboratories, Inc.; R. G. Bostwick, attorney.

With what firm is Mr. Bostwick connected?

Mr. Young. Thorpe, Bostwick, Reed & Armstrong.

Mr. Raushenbush. The list of directors of the company continues: A. B. Ayres, president Porter Locomotive Co.; Col. Andrew Berger, vice president, Potter Title & Trust Co.; W. W. Groves, chairman Railway Audit & Inspection Co.; Peter Bouterse, Pittsburgh manager Sears, Roebuck Co.; Stanley Ash, warden Western Penitentiary; and Mr. McClung, attorney and son-in-law of Andrew D. Mellon.

Mr. YOUNG. That is not correct.

Mr. RAUSHENBUSH. He was not a director?

Mr. YOUNG. He was a director, but not a son-in-law of Andrew Mellon.

Mr. RAUSHENBUSH. Mr. McClung is an attorney?

Mr. YOUNG. Yes, sir.

Mr. RAUSHENBUSH. The officers of the company are John W. Young, president; B. H. Barker, vice president and sales manager; R. B. Reynolds, secretary; and Harry Rau, treasurer.

Mr. YOUNG. That is right.

Mr. RAUSHENBUSH (reading):

> Mr. Walter Rae financed the company during the early development stages and was president until he was succeeded by Mr. Young four years ago.

Mr. YOUNG. Correct.

Mr. RAUSHENBUSH. Then the report goes on as of 1932.

> Mr. Young makes the point, however, that sometime ago he requested his board to appoint an executive committee which is now actively functioning, with the following personnel: John W. Young, president; Walter Rae, chairman; R. G. Bostwick, director; Peter Bouterse, director; and Dr. Alexander Lowy, technical director of Federal Laboratories.

Who is Dr. Lowy?

Mr. YOUNG. He is director of the technical department.

Mr. RAUSHENBUSH. Are there any other connections he may have?

Mr. YOUNG. He is also affiliated with the University of Pittsburgh staff.

Mr. RAUSHENBUSH. He is in the chemistry department?

Mr. YOUNG. That is right.

Mr. RAUSHENBUSH. As to the present ownership, it is reported that the company has about 30 or 35 stockholders all residents of Pittsburgh. The important stockholders, in addition to those serving on the board of directors, are Mr. Wardrock, chairman of the board of the First National Bank; is that correct?

Mr. YOUNG. Yes.

Mr. RAUSHENBUSH. Mr. A. D. Robb, vice president, Colonial Trust Co.

Mr. YOUNG. That is right.

Mr. RAUSHENBUSH. Mr. J. O. Miller, vice president Peoples Pittsburg Trust Co.?

Mr. YOUNG. That is right.

Mr. RAUSHENBUSH. Edwin May, of the May Drug Co.?

Mr. YOUNG. Yes.

Mr. RAUSHENBUSH. It also gives the name of Mary Mellon McClung, whose husband is on the board.

Mr. YOUNG. That is not right.

Mr. RAUSHENBUSH. The largest stockholder is the chairman, Mr. Walter Rae, who owns 650 shares, or 36.7 percent of the 1,771 shares outstanding. Mr. Young owns 250 shares, or 14.1 percent of the amount outstanding. Control is now scattered, but Mr. Young states that he and his personal friends (not including Mr. Rae) own 55 percent of the stock.

Is that a correct report?

Mr. YOUNG. That was about right.

Mr. RAUSHENBUSH. In the reorganization that took place Mr. Rae and Mr. McClung left the board, and Mr. Pennyman and Mr. Beattie came in. Mr. Pennyman you have connected with the Atlas Powder Co. What interest or group or companies does Mr. Beattie represent?

Mr. YOUNG. John A. Beattie, his own company.

Mr. RAUSHENBUSH. What do they do?

Mr. YOUNG. They are financial counselors.

Mr. RAUSHENBUSH. I see in your executive committee meeting of May 5, 1934, a statement, which I would like to have you explain:

> The president reported that American armament is making 4.2 mortar smooth-bore shells and using reclaimed TNT and shipping same to Bolivia. It was agreed that Mr. Beattie would arrange a luncheon with Mr. Young and Mr. Trees, and that Mr. Trees (Joseph C.) should be consulted about future action with regard to the American Armament Co.

Would you explain the connection of Mr. Joseph C. Trees with you as president of the company or with you as stockholder at this particular meeting?

Mr. YOUNG. My mind is a little hazy on that. May I read that [referring to paper]? As I recall, there was not anything done.

Mr. RAUSHENBUSH. I am interested in how Mr. Joseph Trees comes into the picture.

Mr. YOUNG. As a stockholder.

Mr. RAUSHENBUSH. He is a stockholder?

Mr. YOUNG. Yes, sir.

Mr. RAUSHENBUSH. Have you placed any of your stock in any of his companies?

Mr. YOUNG. The Trees Dale Development Co.

Mr. RAUSHENBUSH. That is a holding company belonging to Mr. Trees?

Mr. YOUNG. Whether it belongs to Mr. Trees, or who owns it, I do not know; but I know that Mr. Trees is interested in it.

Mr. RAUSHENBUSH. Have you kept your directors pretty thoroughly informed about all of the activities of your company?

Mr. YOUNG. On the major activities; yes. I do not bother them with many of the routine matters.

Mr. RAUSHENBUSH. You do not bother them on many of the routine matters?

Mr. YOUNG. No.

Mr. RAUSHENBUSH. Could you describe for the committee what proportion of your business is domestic and what proportion is foreign?

Mr. YOUNG. Over what period?

Mr. RAUSHENBUSH. Let us take this present year.

Mr. YOUNG. This present year, about half and half; I guess about 40 percent foreign and about 60 percent domestic.

Mr. RAUSHENBUSH. And how was it last year?

Mr. YOUNG. Last year I would say about 40 and 60. This year it might be 50 and 50. The Cuban business would swing it this year.

Mr. RAUSHENBUSH. The Cuban business is considerable this year?

Mr. YOUNG. Yes.

Mr. RAUSHENBUSH. Of this domestic consumption, how does that split between the material shipments to industrial plants and the material shipped to the police and military groups?

Mr. YOUNG. That is a question that I would not want to give any figures on. My general impression is that the material shipped to industrial plants would be very small compared to that shipped to police.

Mr. RAUSHENBUSH. Are you a member of the Chemical Warfare Service Branch in Pittsburgh?

Mr. YOUNG. Yes; I am. I have done a number of services in that capacity.

Mr. RAUSHENBUSH. Are there frequently rush calls to you from industrial plants for tear gas and other products of yours?

Mr. YOUNG. I do not know that I would call them frequent. When they come they are usually rush calls. We have a great many industrial pay rolls protected with tear gas, the same as we protect the banks. We build it into the cashier's office where it is set off by foot controls.

Mr. RAUSHENBUSH. That would not be an industrial plant particularly. That would be a bank, would it not?

Mr. YOUNG. No. Practically all of the United States Steel Corporation's pay offices are protected with that; the Ford Motor Co., and many of the large corporations.

Mr. RAUSHENBUSH. In some of your literature, I have noticed, Mr. Young, that you make a considerable point of telling your agents the extent to which you are called upon in emergencies by the industrial plants of the country.

Mr. YOUNG. We have had two or three cases. I can recall a specific instance. It is the Auto Lite Plant in Toledo, where they called on us after they had $150,000 worth of damage done overnight. We came in there with the tear gas and I think saved further damage and some loss of life.

Senator CLARK. Has your business picked up since the textile strike started?

Mr. YOUNG. Not materially; about 5 to 10 percent, I would say.

Mr. RAUSHENBUSH. There was recently an item in the paper that a plane flying from Pittsburgh to Rhode Island dropped in the Alleghenies with tear gas. Was that from your plant?

Mr. YOUNG. Yes; that was from our plant. I was sorry it did not get through, because they had to use their firearms and kill two or three people because it did not arrive.

Senator BONE. Where was this?

Mr. YOUNG. Up in Rhode Island, sir. If you will recall, the failure of that plane with tear gas to arrive in Rhode Island—it was being shipped to the National Guards—forced them to use their rifles and two or three people were killed, and I believe several wounded.

Mr. RAUSHENBUSH. How many agents do you employ in the United States at present?

Mr. YOUNG. We have about between 50 and 60.

Mr. RAUSHENBUSH. Is that about one for each State?

Mr. YOUNG. We do not divide it that way. A section like Chicago and New York, of course, would take more, while a section out in Arizona perhaps would take one man to a couple of States.

Mr. RAUSHENBUSH. They are selling both to the military and to the police and the industrial companies?

Mr. Young. No. Our military business is not handled at all through the domestic organization.

Mr. Raushenbush. Not even the National Guards of the various States would be solicited by your agents?

Mr. Young. Yes. The National Guard is handled through those men.

Mr. Raushenbush. That is what I meant.

Mr. Young. Yes.

Mr. Raushenbush.. So they are engaged in both the military and police and the industrial ends. Will you describe in just a few sentences your relations with the Auto Ordnance Co. and say what that is?

Mr. Young. The Auto Ordnance Corporation owns the Thompson sub-machine guns. About 3½ years ago they turned the domestic sale of that gun over to us. Since that time we have been handling the exclusive distribution of the Thompson guns.

Mr. Raushenbush. The Auto Ordnance Co. does not manufacture any guns itself, does it?

Mr. Young. No. The Colt Firearms Co. manufactures the gun for them.

Mr. Raushenbush. It is still manufacturing them?

Mr. Young. Well, they are not manufacturing them now. There are plenty of those guns on hand.

Mr. Raushenbush. When did they stop manufacturing them?

Mr. Young. I could not answer that.

Mr. Raushenbush. Does the Colt Co. make their parts for these guns?

Mr. Young. Yes.

Mr. Raushenbush. And the Colt Co. makes the magazines, too?

Mr. Young. I do not know that.

Senator Bone. Are they used in the Army?

Mr. Young. Yes; they are.

Senator Bone. Are they standard equipment?

Mr. Young. They are.

Senator Bone. The police departments use them?

Mr. Young. They do.

Senator Bone. They would seem to take a rather short bullet.

Mr. Young. They take the standard 45-caliber cartridge.

Senator Bone. For revolvers?

Mr. Young. The same is used in revolvers.

Mr. Raushenbush. Are there any financial transactions between you and the Railway Audit & Inspection Co.?

Mr. Young. In what respect.

Mr. Raushenbush. Do you sell together, or do you hire common agents?

Mr. Young. Yes. Their agent in two cities also works with our agent.

Mr. Raushenbush. Which cities are those?

Mr. Young. Atlanta and New Orleans.

Mr. Raushenbush. Those are the only common agents you have?

Mr. Young. To my knowledge.

Mr. Raushenbush. They have a great many agents, do they not?

Mr. Young. I do not know. They operate in other sections than that, I know.

Mr. RAUSHENBUSH. You have a director on the board who was present at a good many meetings; is that Mr. Groves?

Mr. YOUNG. Yes.

Mr. RAUSHENBUSH. Who is also chairman of the Railway Audit & Supply Co.

Mr. YOUNG. That is right.

Mr. RAUSHENBUSH. Do you know how many people they have?

Mr. YOUNG. No; I do not.

Mr. RAUSHENBUSH. Senator, that is all I wanted to ask in a preliminary way.

Senator BONE. This plane that you said crashed, was that the one that crashed near Bedford, Pa.?

Mr. YOUNG. That is right, sir.

Senator BONE. And that had some 400 pounds of tear gas aboard?

Mr. YOUNG. Yes, sir.

Senator BONE. Where was that going?

Mr. YOUNG. That was going to the National Guard at Providence, R.I.

Senator BONE. Was there a strike on up there?

Mr. YOUNG. There was.

Senator BONE. You sell your tear gas and sickening gas out on the West coast, do you?

Mr. YOUNG. We do, sir.

Senator BONE. Do you know whether you have sold any in Seattle recently?

Mr. YOUNG. We have.

Senator BONE. It was used in the strike out there?

Mr. YOUNG. It was.

Senator CLARK. Is there any limitation on whom you sell that tear gas or sickening gas to, or do you just sell it to anybody who comes along and wants to buy it?

Mr. YOUNG. Not on your life.

Senator CLARK. What is the limitation on it?

Mr. YOUNG. The limitation has been put on there by ourselves, primarily.

Senator CLARK. There is no limit of law.

Mr. YOUNG. Not nationally; no, sir. I think the fact that we have been in business 12 years and that the use of it by criminals has been so conspicuously absent from the newspapers, should speak sufficiently well for the control that we have put on it.

Senator CLARK. What is your limitation on the purchase of it?

Mr. YOUNG. The limitation we put is that an individual purchaser must have the approval of his local police department or sheriff before taking delivery.

Senator CLARK. In other words, let us say that there was going to be a local strike in some town. The police department of that town happens to be on the side of the industrialists. They buy tear gas, but the strikers, those on the other side, cannot buy tear gas. Is that the operation as a result of your rules?

Mr. YOUNG. I never saw that question come up as such.

Senator CLARK. You do sell tear gas to the industrial concerns throughout the country, I believe you had just testified?

Mr. YOUNG. I do.

Senator CLARK. Did you ever sell any to any labor organizations?

Mr. YOUNG. I do not know that I have been requested to do it.

Senator CLARK. I am just asking you the fact, whether you have or not.

Mr. YOUNG. No; I have not.

Senator CLARK. And there is no limitation on the traffic in interstate commerce in these blinding or sickening gases?

Mr. YOUNG. There are some local ordinances pertaining to it in New York City and California and a few other places.

Senator BONE. What would be the effect if these gases were employed on a group of men who had been suffering from lack of proper food and lack of a sufficient amount of sleep? I am thinking now of strikers who perhaps have been out of work a long time and who are not physically fit.

Mr. YOUNG. Senator, I could not answer that from the medical standpoint. But I do know that the effect would be far less than lead bullets, when those men get out of control.

Senator BONE. It would not kill them, I understand that. Well, go ahead with your explanation.

Mr. YOUNG. I mean, there comes a time when men like ourselves come under the influence of mob-psychology. We do things that a sane person would not do and the police must bring them back to their rational reasoning.

Senator BONE. I understand that. I did not ask for your comment on the merits of strikes, and so forth. I am asking you what effect this would have on men who were suffering from malnutrition, who were physically weak.

Mr. YOUNG. The effect is on the tear gland. It does not affect the body otherwise.

The CHAIRMAN. Would it have any more effect, would it have a more damaging effect upon a man who was not enjoying the food that he needed or that his body needed than it would have upon a man who was in good health?

Mr. YOUNG. I should not think so.

Senator CLARK. What is the effect of this sickening gas? Does it cause the person on whom it is used to vomit?

Mr. YOUNG. Yes; it is like seasickness.

Senator CLARK. Do you not think that that might be calculated to have a very much greater effect on a man who is suffering from malnutrition than on a well-fed mill owner, let us say?

Mr. YOUNG. A man who was suffering from malnutrition, if he had been eating nothing, they would have a hard time vomiting; harder than the other fellow.

Senator CLARK. He might become just as sick.

Mr. YOUNG. That is right, sir.

Senator CLARK. And that is the purpose of this gas.

Senator BONE. It would probably leave a man sick for a great many days; would it not?

Mr. YOUNG. No, sir. The records we have show that a man would be sick for 2 or 3 hours.

Senator BONE. Let us go back to the fellow who is weak from hunger, who has been out on a strike and who gets a bad dose of this gas. What would likely happen to him? It would make him sick for a long time, would it not?

Mr. YOUNG. I would think not, because the effect wears off the body normally in 2 or 3 hours. Beyond that, I do not even know what I could say.

May I offer a little statement here, which is a medical record from one of our penitentiaries?

The CHAIRMAN. Yes.

Mr. YOUNG. This gas was used to stop a penitentiary riot. The use of it has been so extremely small that we do not have very much of a record of its effect. But here is one record, and this statement says [reading]:

> The men who were allowed to remain out in the yard for approximately 15 minutes and then let into the cells, all by that time under their own locomotion. All of the inmates were then observed practically for the next 3 or 4 hours. At the end of that time they appeared to have reacted fairly well.

Senator BONE. There is just one other question I would like to ask. We have witnessed a great many strikes of late. Have the Federal Laboratories shipped tear and sickening gas into those strike areas?

Mr. YOUNG. To the National Guard we have shipped some of it. I do not think it has been used.

Senator BONE. Into what areas have you shipped this gas?

Mr. YOUNG. All over the United States, sir.

Senator BONE. In all of the strike areas?

Mr. YOUNG. In all of the areas, whether strike or not. We are constantly shipping it out.

One of the general uses for gas is to rout barricaded criminals. That has been done quite successfully a number of times. Then there is a considerable amount of it used in training the police. They must have instructions.

Senator BONE. You mean in hurling these hand grenades?

Mr. YOUNG. Hurling them and using other means of projecting them. We have them in other implements.

Senator BONE. They are fired in pellets from guns.

Mr. YOUNG. They are projected out. An amount of gas about like this [illustrating] is fired from a gun.

Senator BONE. Are those held in solution in those grenades?

Mr. YOUNG. No; it is solid; put in as a solid compound and burns like punk, and gives off the fumes from holes in the sides. They do not explode.

Senator BONE. They merely emit smoke.

Mr. YOUNG. That is right.

Senator BONE. Which is the gas itself. Now, take a room of the size of this. Would one of those grenades fill it full of smoke very quickly?

Mr. YOUNG. Yes; it would.

Senator BONE. Then the smoke is propelled out under pressure.

Mr. YOUNG. That is right.

Mr. RAUSHENBUSH. Senator, before the committee recesses for lunch, I would like to offer as an exhibit, to be inserted in the proper place, a correction by Mr. Sparre, director of the developments department of the du Pont Co. He testified that the combined I.C.I.

and du Pont consumption of glycerin was around 5 or 6 percent and in this letter which I am herewith offering as an exhibit he says it was about 15 percent.

The Chairman. It may be received.

(The letter referred to was marked "Exhibit No. 598" and is included in the appendix of Part V on p. 1396.)

The Chairman. The Chair has two telegrams here which have been overlooked in the last few days, which should be made a part of the record. One comes from Bernarr MacFadden and says:

WH1 85 42–NCV, New York, N.Y., 17 436P.

Hon. Gerald P. Nye,
Chairman Senate Munitions Investigating Committee,
United States Senate:

Absolutely deny unfounded statements made by Miranda before your committee implicating me in connection with landing munitions orders with foreign countries. Miranda should be compelled to retract such statements concerning me and to offer a public apology for having made them.

Bernarr MacFadden.

There is another from the Bellanca Aircraft Corporation which says:

WN65 XC–WUX TDW1, New Castle, Del. 13 31 OP.

Senator Gerald P. Nye,
Senate Arms Investigating Committee:

Statements appearing in press reports your committee investigation that Lieutenant Commander Strong persuaded the Bellanca Aircraft Corporation to let Miranda handle its business in Colombia are untrue. Miranda has never sold any of our planes to Colombia.

Bellanca Aircraft Corporation.

The committee will stand in recess until 1:30 p.m.

(Thereupon, at 12 noon, the committee recessed until 1:30 p.m.)

AFTER RECESS

(The committee met at 1:30 p.m., pursuant to the taking of recess.)

The Chairman. The committee will come to order. This is Mr. Jonas here, I believe, and will you be sworn, Mr. Jonas?

RELATIONS OF THE FEDERAL LABORATORIES WITH CUBA

TESTIMONY OF FRANK SHERIDAN JONAS

(The witness was duly sworn by the chairman.)

Senator Vandenberg. Will you state for the record your full name, address, and business connection?

Mr. Jonas. My name is Frank Sheridan Jonas. I have a sales agency in New York through which I handle the Federal Laboratories sales, as well as other lines. I am also salesman for the Remington Arms Co. and practically travel exclusively for them now, but my office in New York runs along just the same way.

Senator Vandenberg. Now, Mr. Young, among other things this committee is instructed by the Senate to inquire into the general export situation in respect to munitions of war and the relationships between this Government and others, and this country and others, in that respect. I want to chat with you and Mr. Jonas for a while about the rather colorful Cuban story for the last few years.

You have been intimately informed respecting each step, have you not, in the changing government in Cuba?

Mr. YOUNG. I have been informed, but I would not say how intimately it was.

Senator VANDENBERG. You have been pretty much a part of the picture in the changing government in Cuba, have you not?

Mr. YOUNG. Rather recently I have.

Senator VANDENBERG. Well, it is the general situation I would like to develop for a few minutes, so that we can see the background, and first of all I show you the first exhibit of the afternoon, which will be given an appropriate number, it being a letter to President Machado dated January 9, 1932, signed by Mr. W. T. Neill on behalf of your corporation.

(The letter referred to was marked "Exhibit No. 599" and is included in the appendix on p. 1829.)

Senator VANDENBERG. Who is Mr. Neill?

Mr. YOUNG. Mr. Neill is a correspondent in our office.

Senator VANDENBERG. Authorized to sign your correspondence?

Mr. YOUNG. Yes.

Senator VANDENBERG. I call your attention, on the second page, to the paragraph at the top of the page in which Mr. Neill is saying to President Machado:

> Of course, any sale of this equipment which we would make to you would be with the full sanction of the United States Government. We are working in close cooperation with the Chemical Warfare Department of the United States and conduct our negotiations with only those officials that are recognized by the State Department.

That is a correct statement of your policy?

Mr. YOUNG. That is the policy we endeavor to follow, yes.

Senator VANDENBERG. You never deal with anyone except those officials that are recognized by the State Department?

Mr. YOUNG. Not without the State Department's knowledge.

Senator VANDENBERG. In other words, if you deviate in any way from the rule of dealing only with officials that are recognized, you always keep the State Department informed of your activities?

Mr. YOUNG. So far as I can recall; yes.

Senator VANDENBERG. And that is, then, a statement of your general purpose of all times?

Mr. YOUNG. Yes, sir.

Senator VANDENBERG. Now, let us start in with the Cuban situation along about 1932 when General Machado was still president. I show you a letter signed by Mr. Jonas, which I will ask Mr. Jonas to inspect, the letter being dated May 7, 1932, and addressed to Mr. Young, and which will be offered as an exhibit under its appropriate number.

(The letter referred to was marked "Exhibit No. 600" and is included in the appendix on p. 1830.)

Senator VANDENBERG. May 7, 1932, is a time when the opposition group in Cuba with which Carlos Mendieta was identified, was beginning to be active. Is that a correct statement, Mr. Young?

Mr. YOUNG. I don't know. I was not in touch with them at that time. I believe he had something to do with it.

Senator VANDENBERG. The letter in its opening paragraph refers to your brother Elmslie. Is he connected with you in business?

Mr. JONAS. He is not.

Senator VANDENBERG. Oh, this is your brother, Mr. Jonas?

Mr. JONAS. Yes, sir.

Senator VANDENBERG. Is he in the munitions business?

Mr. JONAS. Yes; he is.

Senator VANDENBERG. Who does he represent?

Mr. JONAS. He is with the Winchester Repeating Arms Co.

Senator VANDENBERG. Mr. Jonas, I call your attention particularly to the paragraph in the middle of page 1 of this letter, exhibit 600, in which you reported to Mr. Young that, your brother having been introduced on this date to a colonel representing the Cuban Government, who is here placing orders for various war materials, then quoting from this paragraph, it says:

> He is asking the United States Government for prices.

Did the Government sell abroad some of its equipment?

Mr. JONAS. To Cuba, I believe they do sell.

Senator VANDENBERG. No other place but Cuba?

Mr. JONAS. I believe they did in Haiti.

Senator VANDENBERG. That is under special treaty arrangement?

Mr. JONAS. Yes.

Senator VANDENBERG. I again read from this letter in the paragraph referred to as follows:

> He is asking the United States Government for prices, but believes we can compete, as the Government has increased their prices, and are evidently endeavoring to discourage them placing the order with them. He has frankly stated that I must add 10 percent to my prices to cover him.

Is that a correct quotation of your brother?

Mr. JONAS. No; that is my letter to Mr. Young.

Senator VANDENBERG. You are quoting your brother, are you not?

Mr. JONAS. Let me read that again. I am either quoting my brother or Demestre himself.

Senator VANDENBERG. Was it true?

Mr. JONAS. That was true.

Senator VANDENBERG. Reading further, the letter says:

> Kindly therefore bear this in mind in making your quotation, and protect me with 25 percent on the bombs and my usual commission on the tear- and vomiting-gas equipment.

What was your usual commission on the tear- and vomiting-gas equipment?

Mr. JONAS. I generally netted about 10 percent, and that commission has to be divided.

Senator VANDENBERG. Now, I ask you to look at the last sentence on the second page of this letter, which reads as follows:

> He has promised to show me the Government prices on Thursday.

Does that mean that this colonel, who was to receive 10 percent, shows you the United States Government bid before you place yours?

Mr. JONAS. Just to be frank, I don't remember him showing me those prices. He said he would, but I cannot recall.

Senator VANDENBERG. The statement is: He has promised to show me the Government prices on Thursday. The arrangement was that you were to see the prices before you made your bid?

Mr. JONAS. I don't recall the details of that since 1932.

Senator VANDENBERG. What would be the object of showing you the prices except you were going to take advantage of the Government prices?

Mr. JONAS. Well, I presume that was the reason.

Senator VANDENBERG. That is what the 10 percent was for, among other things, wasn't it?

Mr. JONAS. No; the 10 percent would come out of my commission.

Senator VANDENBERG. But what was it to pay for?

Mr. JONAS. He said he had various people to pay.

Senator VANDENBERG. He had to pay others?

Mr. JONAS. Yes; that was his story.

Senator VANDENBERG. And he was going to show you the Government bid before you put in your bid so that you could underbid the Government. Was that the arrangement?

Mr. JONAS. I guess that is it; that is the object of it.

Senator VANDENBERG. Yes; I guess that is quite clear. I show you a letter of June 8, 1932, from you, Mr. Young, which letter I ask to be marked in evidence under its appropriate number.

(The letter referred to was marked "Exhibit No. 601" and is included in the appendix on p. 1830.)

Senator VANDENBERG. In this letter you are now directly in touch with let us say a Cuban representative, the letter being addressed to Joaquin Demestre, Teniente de Artilleria. Does that mean military attaché?

Mr. JONAS. No, sir; it means lieutenant. He dropped from colonel to lieutenant but it is the same man we are talking about.

Senator VANDENBERG. Was that a voluntary drop?

Mr. JONAS. I misunderstood at first his title.

Senator VANDENBERG. Would a lieutenant be entitled to 10 percent, or would he get a little less? You don't need to answer that.

At any rate, do you identify this gentleman as the one to whom the previous exhibit referred?

Mr. JONAS. Yes, sir.

Senator VANDENBERG. You do?

Mr. JONAS. Yes.

Senator VANDENBERG. Then there seems to be no impropriety in going ahead with that phase of the discussion. Personally I am not at all interested in mere hearsay identifications by correspondence of men who are thrown into unfortunate situations as the result, but here we have the first-hand information on the statement by the witness on his own responsibility that the identification is correct.

Now, Mr. Young, I call your attention to the paragraph just below the quotes, reading as follows:

> A few days ago I checked up on the Government prices on some of this equipment and on the 4.2-inch mortar shells we were below the Government.

In other words, the bid which you put in as the result of this arrangement did prove to be below the Government price; is that correct?

Mr. YOUNG. Yes, sir; I presume so.

Senator VANDENBERG. That is a fact, as stated in your letter, is it not?

Mr. YOUNG. Yes, sir.

Senator VANDENBERG. Now, we come to a letter, Mr. Young, of June 8, 1932, addressed to Mr. Jonas, which will be marked as the next exhibit.

The letter referred to was marked "Exhibit No. 602" and is included in the appendix on p. 1831.)

Senator VANDENBERG. In this letter, "Exhibit No. 602", you are making a formal quotation on this same material, and I call your attention to the second page, the second paragraph thereon reading as follows:

> It might be after you get your Government prices that we will have to make some adjustments, though on some items there is not much room for adjustment.

What does that mean?

Mr. YOUNG. I presume just about what it says, Senator.

Senator VANDENBERG. It means that after you found out what the Government bid was, then you could adjust your bid to a lower figure? Is that what it means?

Mr. YOUNG. I would not say it means exactly that.

Senator VANDENBERG. I am asking you. I don't want to put any improper interpretation on it, but I want your interpretation.

Mr. YOUNG. I said before up here I have already checked up on the Government prices.

Senator VANDENBERG. You mean by making adjustments in your prices after you get the Government prices and after you find out what the Government bid was you could adjust your bid upward?

Mr. YOUNG. I don't think we did.

Senator VANDENBERG. Well, I call your attention to the postscript of this letter, in which it is said:

> It is very difficult to add 10% on, as you suggested.

Then, skipping to the next paragraph, it says:

> Cuba has a price list of our equipment. Is it safe to jump prices 10% without getting your customer in trouble? I am going to let you and your customer add your 10%, and where it is possible to do so we will cover you; where it isn't, I believe it will be necessary for you to work it out some other way. It would be so much better if we could discuss it than it is to write a letter before I know what we are up against on Government prices.

In other words, the whole arrangement, Mr. Young, including the 10 percent commission, is entirely dependent on the Government price, and whether after you find out what it is you can cover all of these divers and sundry factors that have to enter into your bid.

Mr. YOUNG. I think it is a case that the amount of commission that would be available would depend largely on what was available in the spread between our cost and our profit on that order.

Senator VANDENBERG. And the question of whether you could pay the 10 percent or not would depend upon the conclusion of the other calculations to which you refer?

Mr. YOUNG. Yes.

Senator VANDENBERG. And both calculations would depend on the Government bid. At any rate, I show you the next exhibit, which will be properly marked with its appropriate number, which is a memorandum from Lieutenant Demestre to you, dated June 20, 1932, and I show you this simply for the purpose of indicating that you did make the sale, and that the sale followed this arrangement. There seems to be no question about that. I now offer this letter as an exhibit.

(The letter referred to was marked "Exhibit No. 603" and is included in the appendix on p. 1832.)

Senator VANDENBERG. Then in the same connection I show you the next exhibit, a letter dated July 7, 1932, addressed to Mr. H. E. Rau, signed by you, which I will ask to be marked as an exhibit under its appropriate number.

(The letter referred to was marked "Exhibit No. 604" and is included in the appendix on p. 1832.)

Senator VANDENBERG. Who is Mr. Rau?

Mr. YOUNG. He is our treasurer.

Senator VANDENBERG. And this memorandum, signed by you, states that you have paid Lieutenant Demestre a total of $1,895. Was that the commission on the previous order?

Mr. YOUNG. Yes, sir.

Senator VANDENBERG. Just for the purpose of establishing continuing sales, I offer as the next exhibit this memorandum indicating the shipment of $18,000 worth of material, presumably under this same arrangement.

(The letter referred to was marked "Exhibit No. 605" and is included in the appendix on p. 1833.)

Senator VANDENBERG. Now, I would like to call your attention particularly to the next exhibit, which bears upon the shipments, being a statement of the Federal Laboratories, Inc.

(The statement referred to was marked "Exhibit No. 606" and is included in the appendix on p. 1833.)

Senator VANDENBERG. You will note that this memorandum on the stationery of the Federal Laboratories, Inc., indicates that you have sold to El Agregado Militar—is that military attaché, or what does it mean?

Mr. YOUNG. I really don't know just exactly what that is.

Senator VANDENBERG. At any rate, it is some officer of the Cuban Government?

Mr. JONAS. Presumably.

Senator VANDENBERG. The shipment is identified as boxes of steel forgings, N.C.I.B.N. What does that mean?

Mr. YOUNG. It is a freight classification.

Senator VANDENBERG. Although these are classified for shipping purposes as boxes of steel forgings, the contents of each box was identified as including empty demolition bombs. What is the purpose of classifying them as boxes of steel forgings, if the contents are demolition bombs?

Mr. YOUNG. The transportation companies have all freight classified, and this was the classification they designated for a shipment of this character.

Senator VANDENBERG. Would there be any other disclosure in connection with the shipment as to the actual contents of the freight?

Mr. YOUNG. The packing slip would give this same thing.

Senator VANDENBERG. Reading further down, we find at the bottom of the statement this:

> Note: Bookkeeping Dept. copy only.
>
> Copies of invoices which were sent to New York through our bank read as above except contents were described as letter of credit described them or empty aviation pumps.

What does that mean?

Mr. JONAS. I can answer that.

Senator VANDENBERG. I would be glad to have you answer it.

Mr. JONAS. Pumps in Spanish means bombs. And that means aviation bombs. In other words, pumps and bombs mean the same thing.

Senator VANDENBERG. This was not any transaction in which you were attempting to ship one thing and pretending you were shipping something else?

Mr. YOUNG. No, sir.

Senator VANDENBERG. Did you ever make any shipments in which an effort was made to disguise the contents?

Mr. YOUNG. No, sir; I did not.

Senator VANDENBERG. And this is simply an error in translation, which makes this appear somewhat discreditable.

Mr. YOUNG. May I call attention to the fact that this word "aviation", I think, ties right in with aviation bombs. If it had been "gasoline pumps", there might have been cause for suspicion there.

Senator VANDENBERG. Were these empty bombs?

Mr. YOUNG. They were empty.

Senator VANDENBERG. Isn't that a pretty high price for empty bombs, as compared with your price for loaded bombs?

Mr. YOUNG. No; not in that small quantity, when you have to set up your forging machines to turn those out, and that is our standard price.

Senator VANDENBERG. These were in fact empty bombs?

Mr. YOUNG. They were.

Senator VANDENBERG. Now I call your attention, Mr. Young, to a letter from Mr. Jonas, dated August 13, 1932, which will be marked "Exhibit No. 607."

(The letter referred to was marked "Exhibit No. 607" and is included in the appendix on p. 1834.)

Senator VANDENBERG. From this letter, "Exhibit No. 607", I read the following:

> I am in receipt of a letter from Demestre today stating that owing to certain developments he is compelled to place his business through the Prince Lauten Corp.

What is that company?

Mr. YOUNG. That is an export house in New York, handling all kinds of things, cotton goods principally.

Senator VANDENBERG. Reading further from the letter, it says:

> So in figuring any prices on future business the 10% which you add to protect him you can either pay me or the Prince Lauten Corp., or you can tell them that you will pay them direct when you hear from them.
>
> Yesterday Mr. Ryan called me by telephone and told me that he had received a certain order from Cuba, but as he was told not to divulge the source of the order he was not at liberty to tell me, but that if I objected to his quoting he would not do so.

Who is Mr. Ryan?

Mr. Jonas. Mr. Ryan is president of the Auto Ordnance Corporation.

Senator Vandenberg. What do they sell?

Mr. Jonas. Thompson guns.

Senator Vandenberg. The letter then reads further:

> However, he would like to give them half the commission, to which I readily agreed. He stated he felt that it was due to my work that the order was developed and for that reason he desired to protect me. I certainly appreciate this attitude, as he was willing to lose the entire order unless I agreed to part with my portion of my commission.

Mr. Jonas, in view of your knowledge of the situation, may I ask whether that would indicate that Mr. Ryan was negotiating with the revolutionists at that time?

Mr. Jonas. No, sir; he was evidently referring to the same gentleman who had asked for price previously. Mr. Ryan has not negotiated with any revolutionists.

Senator Vandenberg. You think his desire not to divulge the source of the order was what?

Mr. Jonas. To protect this gentleman who was trying to get the prices.

Senator Vandenberg. It referred to the gentleman and the prices, and not to the character of the source of inquiry?

Mr. Jonas. That is correct, sir.

Senator Vandenberg. Am I in error in remembering that you said this morning, Mr. Young, that the Federal was the only agent for Thompson guns in this country?

Mr. Young. We are at present. We were not the Cuban agent at that time.

Senator Vandenberg. I now show you the next letter, which is a translation, to be marked " Exhibit No. 608 " and now offered in evidence.

(The letter referred to was marked " Exhibit No. 608 " and is included in the appendix on p. 1834.)

Senator Vandenberg. This " Exhibit No. 608 " is a letter from Lieutenant Demestre to Mr. Jonas, and it starts out as follows:

> I received your letter of the 30th ult. with your quotation from Sedgley of the 29th.

Who is Sedgley?

Mr. Jonas. Sedgley is a manufacturer in Philadelphia. This has nothing to do with the Federal Laboratories.

Senator Vandenberg. Is this chap known as " Sidewalk " Sedgley?

Mr. Jonas. I never heard of that name.

Senator Vandenberg. Did you ever hear him referred to by the name " Sidewalk " Sedgley because he sells machine guns on the sidewalk in Philadelphia?

Senator Clark. And delivers them on the sidewalk?

Mr. Jonas. I never heard of him delivering on the sidewalk.

Senator Vandenberg. Where is his place of business?

Mr. Jonas. I have never been in his factory—never have seen it.

Senator Vandenberg. Did you ever hear him referred to as " Sidewalk " Sedgley?

Mr. Jonas. Under oath, I have.

Senator VANDENBERG. I continue reading from this letter as follows:

> As stated in my last letter, the business of repair parts should be handled as follows:
>
> Sedgley must invoice these repair parts for the following amount: $3,694.90 f.o.b. New York, and he should fix the price list in accordance with this total quantity (it is enough to add 50 percent to each price).

As a matter of fact that means they are not repair parts?

Mr. JONAS. Those were repair parts. Those were parts for Lewis machine guns, mainsprings and various parts of the machine gun which they ordered.

Senator VANDENBERG. Sedgley handled nothing but machine guns?

Mr. JONAS. No; he sells sporting rifles and various things.

Senator VANDENBERG. I read further from this letter:

> If Mr. Sedgley will not accept this business on these conditions please look for another source.

Where were these repair parts to go?

Mr. JONAS. To Cuba.

Senator VANDENBERG. To the Cuban Government?

Mr. JONAS. Yes; to the Cuban Government.

Senator VANDENBERG. This is the Machado government?

Mr. JONAS. Yes, sir.

Senator VANDENBERG. Now, Mr. Young, according to the next exhibit, which I show you, which will be properly marked, being a letter from you to Mr. Jonas, dated September 14, 1932, which is now offered as an exhibit.

(The letter referred to was marked "Exhibit No. 609" and is included in the appendix on p. 1835.)

Senator VANDENBERG. According to this letter, exhibit no. 609, in the third paragraph, it says:

> If you want to reach me Friday, suggest you wire the Ben Franklin Hotel, Philadelphia.

This is 12 days after the discussion about "Sidewalk" Sedgley. Did you go to Philadelphia to see Mr. Sedgley?

Mr. YOUNG. I did not, sir.

Senator VANDENBERG. Do you know Mr. Sedgley?

Mr. YOUNG. I have met him.

Senator VANDENBERG. Did you ever have any business with him?

Mr. YOUNG. Yes; we have bought two or three hundred dollars' worth of gas guns from him.

Senator VANDENBERG. Two or three hundred dollars' worth of what?

Mr. YOUNG. Flare guns to shoot parachute flares, and we bought some gas guns from him.

Senator VANDENBERG. Is he a recognized dealer in materials of this nature?

Mr. YOUNG. He has a catalog which would purport to be a recognized dealer.

Senator VANDENBERG. Are you familiar at all with his sales, or where or how he makes them?

Mr. YOUNG. I am very unfamiliar with his business. I have had very little contact with the gentleman.

Senator VANDENBERG. I read on in this letter, "Exhibit No. 609", as follows:

> If I can get an extension of three days on the letter of credit for the armored car for Cuba I want to go to Washington to show it to two or three of the embassies.

Were you also selling armored cars?

Mr. YOUNG. Yes, sir; that is one of our line of manufacture.

Senator VANDENBERG. To what extent does that traffic exist?

Mr. YOUNG. That was an armored limousine purchased for the use of the President and the Chief of Staff of the Army. There were two of them.

Senator VANDENBERG. The President and Chief of Staff of the Army of Cuba under the Machado regime, you mean?

Mr. YOUNG. That is right.

Senator VANDENBERG. You delivered those two cars to them for that purpose?

Mr. YOUNG. That is right.

Senator VANDENBERG. Did you come to Washington and show them to other embassies?

Mr. YOUNG. I did, sir.

Mr. VANDENBERG. Did you have any luck?

Mr. YOUNG. Not yet. We also showed them to our own Government officials—that is, of the War Department.

Senator VANDENBERG. As I understand, it is not an armored car in the sense that it is a war machine?

Mr. YOUNG. Oh, no!

Senator VANDENBERG. It is an armored car which is in all effect a passenger car, but is intended to protect the rider from assassination?

Mr. YOUNG. That is right. It was a Lincoln limousine that has all the appearance of an ordinary limousine, except it was armored between the upholstering and the outside shell.

Senator VANDENBERG. You showed it to some of the American departments, too?

Mr. YOUNG. I did.

Senator VANDENBERG. Did you ever sell any to the American Government?

Mr. YOUNG. Not yet.

Senator VANDENBERG. I suppose the situation would have to get pretty tense before there was any market for that sort of equipment, would it not?

Mr. YOUNG. I would not say so, Senator. I think the danger from radicals, the anarchist or crazy man, is such that there are times when officials of the Government should be so protected.

Senator VANDENBERG. I am inclined to agree with you.

Senator CLARK. Did you ever sell any of those armored cars to any individuals?

Mr. YOUNG. No, sir.

Senator BONE. Who makes these armored cars for some of the underworld characters?

Mr. YOUNG. I would like to find out, the same as our Department of Justice would; but I do know we do not make them, Senator.

Senator VANDENBERG. Is it pretty generally understood that there is a substantial traffic of that character?

Mr. YOUNG. No; there is not. The manufacture of armored cars or armored bodies for the crooks, I think, has been very few.

Senator VANDENBERG. I show you the next exhibit, which will be given the proper number, and I ask you, Mr. Jonas, to read that, particularly the latter paragraph, which refers to the reasons for an increased commission, and before entering it as an exhibit I will ask you if that is a true statement.

Mr. JONAS. I agree, sir. That is true.

(The letter referred to was marked "Exhibit No. 610", and is included in the appendix on p. 1835.)

Senator VANDENBERG. I will read a part of it as follows:

> Demestre has requested that we increase the price 25 percent to take care of him, but on account of Lake Erie's competition I am afraid to try that. We can talk over this matter in Washington.

Does that mean to increase the commission to him or to increase the price to cover his previous commission?

Mr. JONAS. I think it is his previous commission. I think that includes the total commission he wants.

Mr. YOUNG. Yes, sir.

Senator VANDENBERG. Along in October 1932, Mr. Jonas, you began to run into competition in the Cuban trade with the Lake Erie Chemical Co., or at least they began to appear in the situation. Is not that true?

Mr. JONAS. I presume so.

Senator VANDENBERG. I show you the next exhibit, which will be given the proper mark, dated October 12, 1932.

(The letter referred to was marked "Exhibit No. 611" and is included in the appendix on p. 1836.)

Senator VANDENBERG. The first paragraph of that letter manifestly refers to the Lincoln automobile which we have been previously discussing, and which appears, as you say, to have been a complete success, inasmuch as "Yesterday we shot a Springfield 30.06 twice, one in the back of the car and one 7 inches below the rear glass. Neither of these two cartridges penetrated the metal. This proof has been a wonderful ad for the car, and will probably write today to Mr. Young congratulating him on the work."

Then the next paragraph states [reading]:

> Parts from Sedgley: I have not figured any commission for you on the $1,021.30 as without doubt Sedgley will give you 5 percent if you insist. Make Sedgley understand that future orders will be placed thru your medium. Nevertheless, in case Sedgley refuses to give you commission, please advise me and I will fix something for you.

You have had transactions back and forth with Sedgley with respect to commissions?

Mr. JONAS. On this I did; yes, sir.

Senator VANDENBERG. Is this the only time you ever had transactions with Sedgley?

Mr. JONAS. No; I have had other very small transactions with him.

Senator VANDENBERG. You seem to be complaining in this letter of the type of competition which Lake Erie is giving you.

Mr. JONAS. That is his letter to me.

Senator VANDENBERG. Yes; I stand corrected. He is reporting to you that the Lake Erie representative immediately commenced to discredit the Federal Laboratories material—

> stating that the bombs purchased by me were no good and of an old type.

Is there any justification for that complaint?

Mr. JONAS. I do not know enough about bombs to give a reply.

Senator VANDENBERG. Do you know anything about that, Mr. Young?

Mr. YOUNG. Senator, I think that is just sales talk, and really I prefer that that type of material be left out of the investigation, from our competitors' standpoint.

Senator VANDENBERG. I am only interested in finding out the facts.

Mr. YOUNG. They were not; to answer the question. Frequently salesmen say a lot of things which they should not say, because they are driven into a corner by the buyer.

Senator VANDENBERG. I know that is so.

The letter continues [reading]:

> As you can imagine, no one has paid any attention, because the bombs were manufactured by Federal exactly in accordance with my specifications.

That would answer the previous question.

Mr. YOUNG. Yes, sir.

Senator VANDENBERG. Now I show you the next exhibit, which will be given a proper mark, dated December 8, 1932, in which Mr. Jonas is notifying the National City Bank of a deposit to the credit of Gumersindo, Suarez, Havana, Cuba. What was that for?

Mr. JONAS. I was instructed to pay those commissions on that deal.

Senator VANDENBERG. Who was he?

Mr. JONAS. He was a Government agent who supplied the Cuban Government with various articles. So that evidently he was working for this man who was an agent there.

Senator VANDENBERG. Suarez and Demestre were in partnership in connection with this arrangement?

Mr. JONAS. They evidently were.

Senator VANDENBERG. And Mr. Suarez was at the time an agent of their Government?

Mr. JONAS. He is a supplier to the Government. They have military firms who supply goods to the Government.

(The letter referred to was marked "Exhibit No. 612" and is included in the appendix on p. 1836.)

Senator VANDENBERG. Now we come to the next exhibit, being a letter dated February 7, 1933, from Mr. Jonas to Mr. Young, which will be given a proper number.

(The letter referred to was marked "Exhibit No. 613" and is included in the appendix on p. 1837.)

Senator VANDENBERG. In that letter Lieutenant Demestre is asking for a bullet-proof vest, and so forth, but I particularly call your attention to the paragraph on page 2 entitled "Credit." That reads:

> Demestre claims that as they are short of funds it would be very much easier to do immediate business with his Government if you would agree to 50-percent cash with the orders and the balance on terms. It is his opinion that there is no risk doing business on this basis, as the Cuban Government has always met their commercial obligations. Both Remington and Colt's

> have extended them credit on this basis. In fact, on the orders which were placed six weeks ago no deposit was made and they were given six months in which to pay.

Mr. Jonas, you are reporting Mr. Demestre's claim that the Government is running short of funds. This is February 7, 1933. Are we now approaching the period when the political situation begins to change?

Mr. JONAS. I think so.

Senator VANDENBERG. This is the period, is it not, in which there had already been an armed revolt by Mendieta and Menocal?

Mr. JONAS. I am not sure, Senator, but I do not think so.

Senator VANDENBERG. Between 1931 and 1933 the A.B.C. group grew up; did it not?

Mr. JONAS. It must have been that time.

Mr. YOUNG. In 1932 the A.B.C. group was in existence. I do not know about the previous revolt, but I know they were sitting on a pretty hot griddle at the time.

Senator VANDENBERG. When did General Machado retire? It was August 1933, was it not?

Mr. YOUNG. I believe it was, Senator.

Senator VANDENBERG. And this is in February of that year. Did you extend credit on this new basis?

Mr. YOUNG. No; we did not.

Senator BONE. When did this new form of installment buying in munitions come into vogue?

Mr. JONAS. No, sir; on all the deals which I have done it was generally cash.

Senator VANDENBERG. Were you justified in making the statement that Remington and Colt's had done that?

Mr. JONAS. I had heard at that time, but it was nothing I could prove. Naturally, as a salesman, I was trying to get the sale.

Senator VANDENBERG. You do not know, in fact, whether the installment business was existing or not?

Mr. JONAS. No, sir.

Senator VANDENBERG. And you did not go into it?

Mr. JONAS. We did not go into it.

Senator VANDENBERG. Now we are getting a little closer to the first revolution. I mean the first revolution in this group of revolutions. I show you a letter dated February 24, 1933, which will be marked as the next exhibit, and which is 3 weeks following the other letter.

(The letter referred to was marked "Exhibit No. 614" and is included in the appendix on p. 1838.)

Senator VANDENBERG. Mr. Young, you are now writing Lieutenant Demestre, and the second paragraph refers to armor plate. It reads:

> We have been holding ourselves in readiness to make very early shipment of the armor plate for your truck bodies. We are sorry to learn that you are not in shape to pick up the complete trucks upon which we quoted.

Senator VANDENBERG. Where it refers to "your truck bodies", what does that mean?

Mr. YOUNG. They wanted to equip some work trucks for their Army and buy armor plate and put it on themselves.

Senator VANDENBERG. Did you ever make any shipment of that character?

Mr. YOUNG. No; we did not.

Senator VANDENBERG. How would a shipment of that character be classified when it is shipped?

Mr. YOUNG. Shipped as armor plate.

Senator VANDENBERG. I call your attention to the last paragraph in that letter, which reads:

> There is a great deal of talk in the newspapers here about the impending revolution, and if we are to believe all that the newspapers say, I would certainly urge you to speed the placing of these orders all possible.

You appear to be urging the then-existing government to load up with your materials in order to be in a position to meet the crisis which you suggest is crowding in upon them.

Mr. YOUNG. I would say so.

Senator VANDENBERG. Then we come to the next exhibit, which will be appropriately marked, which is 3 days later, being dated February 27, 1933, being a letter from Mr. Jonas to Lieutenant Demestre.

(The letter referred to was marked "Exhibit No. 615" and is included in the appendix on p. 1838.)

Senator VANDENBERG. I call your attention to the third paragraph, the one which starts, "Unfortunately."

First I will ask you if the statement in that paragraph is true?

Mr. JONAS. This is what this fellow told me.

Senator VANDENBERG. Who told you?

Mr. JONAS. The nephew of Herrera, the Minister of War.

Senator VANDENBERG. You are directly quoting Rodriguez. He tells you the thing you report here. Is that correct?

Mr. JONAS. Yes, sir.

Senator VANDENBERG. And Rodriguez is Herrera's nephew?

Mr. JONAS. Yes, sir.

Senator VANDENBERG. And Herrera is Secretary of War in the Government. Is that correct?

Mr. JONAS. Yes, sir.

Senator VANDENBERG. I will read that paragraph:

> Unfortunately, or as it happens, fortunately, as the case might be, Rodriguez, Herrera's nephew (who was down in Havana at the time I was) told me that he could get this business, owing to his connections with his uncle. Knowing that the order for the last four or five million cartridges which were purchased by your Government was placed thru him, due to his relationship with the general, I felt it would be very foolish to ignore him and not show at least some interest on his conversation with me on the subject.

Then, skipping a paragraph, the letter continues [reading]:

> During my conversation with Rodriguez he mentioned your name—

This is Mr. Jonas writing to Lieutenant Demestre—

> and wanted to know if I had done any business with you. I told him that I had done business with the War Department on orders which you were instructed to place, and gave him no further information. From his remarks, however, I gathered that he was suspicious about the automobile deal and told me that the chauffeurs——

Mr. JONAS. Chauffeurs.

Senator VANDENBERG (continuing reading):

> had not been paid the usual commission—

What is the "usual commission" to chauffeurs?

Mr. JONAS. I do not know. Even the chauffeurs down there, when anyone buys a car, they have got to get a commission or they will discredit it.

Senator VANDENBERG. You say "even the chauffeurs." Do you mean that that system persists all the way down?

Mr. JONAS. Apparently it does, sir.

Mr. YOUNG. May I add, Senator, that this was the Machado administration.

Senator VANDENBERG. That is correct. We are still in the Machado administration.

Mr. YOUNG. That is right.

Senator BONE. What significance does that have, or what significance are we to draw from that statement?

Mr. YOUNG. To the Cuban it has a great deal of significance.

Senator BONE. I know, but this is a United States Senate investigation and we are trying to find out what it means.

Mr. YOUNG. Every Cuban knew that that administration only bought materials on this basis.

Senator BONE. Make that somewhat plainer. What basis? It will save time if you will be specific.

Mr. YOUNG. On the basis that something was going into the organization.

Senator BONE. What do you mean? Do you mean that somebody was getting some money out of it on the side?

Mr. YOUNG. Getting a commission.

Demestre was representing Prince Lauten & Co., which was a commercial organization, to receive a commission. We did not feel they were doing any particular work for us, but were told they would act down there as agents and get paid for the business.

Senator VANDENBERG. In other words, to do business in Cuba you have to do it that way; do you?

Mr. YOUNG. That is what we find.

Senator VANDENBERG. And that is the way you did business in Cuba?

Mr. YOUNG. That is right.

Senator VANDENBERG. This letter would indicate that Rodriguez, who is the nephew of the Secretary of War, was beginning to be suspicious of Demestre. Is that what he indicated to you?

Mr. JONAS. That is what he indicated to me.

Senator VANDENBERG. What does that mean? What was he suspicious of?

Mr. JONAS. That he was not getting all the business, I presume.

Senator VANDENBERG. You mean Rodriguez was not getting it?

Mr. JONAS. Every fellow down there wants to get all he can for himself.

Senator VANDENBERG. I see what you mean. Rodriguez is also selling?

Mr. JONAS. Selling anything he can sell to the Government.

Senator VANDENBERG. And he is the nephew of the Secretary of War?

Mr. JONAS. Yes, sir.

Senator VANDENBERG. And he is complaining because Lieutenant Demestre is doing so-and-so. What is his job?

Mr. JONAS. He is a lieutenant.

Senator VANDENBERG. Connected with the Army?

Mr. JONAS. He was connected with the Army; yes, sir.

Senator VANDENBERG. So that Rodriguez, the nephew of the Secretary of War, is complaining because Demestre, who is a lieutenant in the Army, may be getting something which Rodriguez thinks he ought to be entitled to because he is the nephew of the Secretary of War?

Mr. JONAS. That is right.

Senator CLARK. Did he want a cut out of all the business going through that office? Is that the idea?

Mr. JONAS. He would have liked to have had it that way, if he could.

Senator VANDENBERG. I show you the next exhibit, being a letter from Mr. Young to Mr. Carlos Mendyetta at New York. I call your attention to the fact that it is spelled "M-e-n-d-y-e-t-t-a." I want to ask you first, if that is the Mendieta who later became President?

Mr. YOUNG. That is. That is a misspelling.

Senator VANDENBERG. That is the same Mendieta who became President in January 1934?

Mr. YOUNG. That is right.

(The letter referred to was marked "Exhibit No. 616" and is included in the appendix on p. 1839.)

Senator VANDENBERG. Was Mendieta connected with the Cespedes government, which immediately succeeded the Machado government?

Mr. YOUNG. No; not that I know of.

Senator VANDENBERG. This letter, addressed to Colonel Mendieta. says:

> I am sorry I cannot get to see you personally and say good-bye, but I learned you are sailing Saturday. I just wanted to express our congratulations to you and your associates on the marvelous outcome in Cuba. We, of course, regret that such a price of human life was paid, but it could have been much worse.

Why would you be congratulating Colonel Mendieta unless he was part of the "new deal"?

Mr. YOUNG. He expected to be, sir.

Senator VANDENBERG. And was not?

Mr. YOUNG. I think that is the case.

Senator VANDENBERG. At any rate, you were very happy about this change, were you not?

Mr. YOUNG. I was.

Senator VANDENBERG. Why?

Mr. YOUNG. I have a great admiration for the man.

Senator VANDENBERG. For whom?

Mr. YOUNG. For Colonel Medieta.

Senator VANDENBERG. He did not have anything to do with the new administration. This is President Cespedes, is it not?

Mr. YOUNG. I believe at the time that this letter was written Cespedes had not been made President.

Senator VANDENBERG. I think he became President on August 14, 1933, and this letter was written August 18, 1933.

Mr. YOUNG. The feeling among the best leaders of Cuba, who proved their worth to that position by later reaching it, was that Colonel Mendieta was the logical man to lead Cuba out of her difficulties, and the men who tried to hold that job, intervening at the time when General Machado went out and Colonel Mendieta came in, proved that they were able to handle it.

Senator VANDENBERG. Your congratulations on the "marvelous outcome in Cuba", then, does not refer to the election of President Cespedes?

Mr. YOUNG. No.

Senator VANDENBERG. Although that is the outcome which is contemporaneous with your letter, is it not?

Mr. YOUNG. I never knew Cespedes.

Senator CLARK. That is probably one of the reasons he could not hang on. [Laughter.]

Mr. YOUNG. Thank you, Senator.

Senator VANDENBERG. How long was it before Mendieta became President?

Mr. YOUNG. I think it was 4 or 5 months.

Senator VANDENBERG. He became president on January 17, 1934. That is 5 months later. You surely are not congratulating Colonel Mendieta in August on a marvelous outcome which results in January.

Mr. YOUNG. I was congratulating him on what had happened in Cuba, as I think every American who was familiar with the Cuban situation, what they were going through, would express the same sentiment at that time.

Senator VANDENBERG. I am not quarreling with your opinion, but I am just trying to determine what it was you were registering your joy about.

Mr. YOUNG. That is right.

Senator VANDENBERG. The second paragraph of that letter states [reading]:

> I am so glad that you did not have to go through with the big program discussed with you, General Menocal, Dr. Gomez, and Mr. Texidor.

Who is General Menocal?

Mr. YOUNG. General Menocal was President of Cuba before Machado.

Senator VANDENBERG. Who was Dr. Gomez?

Mr. YOUNG. Dr. Gomez was there before Machado, and is now mayor of Havana.

Senator VANDENBERG. And who is Mr. Texidor?

Mr. YOUNG. Mr. Texidor was a commercial man.

Senator VANDENBERG. Were General Menocal and Dr. Gomez a part of the movement which overthrew General Machado?

Mr. YOUNG. I do not think they were, sir. They were in sympathy with it. Whether they made any contributions or not, I do not know personally, but they were not active.

Senator VANDENBERG. They certainly had no relationships with the Machado administration, did they?

Mr. YOUNG. They certainly did not.

Senator VANDENBERG. And neither did Colonel Mendieta have any with the Machado administration?

Mr. YOUNG. No.

Senator VANDENBERG. So you are expressing your joy that General Menocal and Dr. Gomez and Colonel Mendieta, who were not part of the Machado regime "did not have to go through with the big program discussed with" them.

What was the "big program" which you discussed with them?

Mr. YOUNG. They were talking about an attempt to force Machado out.

Senator VANDENBERG. And the big program involved the acquisition of a large amount of munitions?

Mr. YOUNG. That is what they wanted to do. They discussed several things. General Menocal had a plan, being a military man.

Senator VANDENBERG. What I am getting at is, evidently, while Machado was still President—and if I am wrong on this, you will please correct me—while Machado was still President, you were discussing with General Menocal and Dr. Gomez and Colonel Mendieta an armaments order which was to be part of the program to overthrow General Machado.

Mr. YOUNG. Did you say "discussing"?

Senator VANDENBERG. Yes.

Mr. YOUNG. Yes.

Senator VANDENBERG. So that at that point you are not dealing with the Cuban Government, are you?

Mr. YOUNG. No; I was not.

Senator VANDENBERG. And at that point you are not doing what the letter to the State Department says, towit, that you dealt only with those whom the State Department recognized?

Mr. YOUNG. Senator, I do not want the implication, if I may request it, that appears of dealing with these men on a proposed munitions order.

Senator VANDENBERG. By all means, make that plain, because I would not have it misunderstood for the world.

Mr. YOUNG. Because I told those men emphatically that they would get no support in the United States with the State Department supporting the Machado administration.

Senator VANDENBERG. Nevertheless, this "big program" would have involved purchases, would it not, from you?

Mr. YOUNG. Had I considered negotiating on that; yes.

Senator VANDENBERG. Did you tell them that you would not sell them anything under any circumstances?

Mr. YOUNG. Unless the State Department approved it.

Senator VANDENBERG. You told them that at the time?

Mr. YOUNG. I did, sir.

Senator VANDENBERG. Where did these discussions take place?

Mr. YOUNG. In New York, in my office.

Senator VANDENBERG. Did you ever sell anything to this group prior to the downfall of General Machado?

Mr. YOUNG. Not a penny's worth.

These men, Senator, were outstanding there and were very much distressed about the conditions in Cuba and asked if they could have a talk with me. I granted that, as I think a gentleman should, and I listened to their story and advised them that I did not think they ought to go through with it, and it was just about 2 days after that that the Machado regime broke down.

Senator VANDENBERG. I am casting no aspersions upon them or upon you, but I am simply trying to determine whether or not there is any relationship between your group and the revolutionary groups here or anywhere else, and that is the sole purpose of this inquiry.

Senator CLARK. These men knew, did they not, Mr. Young, that you were one of the purveyors of munitions to the Machado Government?

Mr. YOUNG. They knew we were shipping to the present Government.

Senator CLARK. That is what I say.

Mr. YOUNG. I told them frankly we had shipped there.

Senator CLARK. Nevertheless, they sought you out and outlined their plans to you. You told them that you could not ship to them unless the State Department O.K.'d it, and they went ahead and outlined their whole plan of revolution?

Mr. YOUNG. No; I would not say they outlined their whole plan of revolution. They described very briefly and, I think, very immaterially their plan of force down there.

Senator CLARK. That is what you referred to as the "big program"?

Mr. YOUNG. That is right.

Senator VANDENBERG. We come now to a letter of October 17, 1933, which I will offer as "Exhibit No. 617."

(The letter referred to was marked "Exhibit No. 617" and is included in the appendix on p. 1839.)

Senator VANDENBERG. Now, the Cespedes Government has fallen and the Grau Government, backed by Batista, has come in? Is that a correct chronology? They came in September 15, 1933, did they not?

Mr. YOUNG. I think that is correct.

Senator VANDENBERG. Now, this exhibit is a letter from Mr. Texidor, whom you have identified as an agent in Habana and who subsequently became your agent. Is that correct?

Mr. YOUNG. That is correct.

Senator VANDENBERG. This is addressed to Robert S. Judge. Who is Robert S. Judge?

Mr. YOUNG. An attorney on Park Avenue.

Senator VANDENBERG. Is he connected with your company?

Mr. YOUNG. No, sir. I say he is not connected officially. He has done a little law work for us at times.

Senator VANDENBERG. How does this letter happen to be in your files, Mr. Young?

Mr. YOUNG. Because he knew Mr. Texidor and I knew Mr. Texidor and I knew him. Mr. Texidor did not know where to reach me.

Senator VANDENBERG. Mr. Texidor is writing to Mr. Judge evidently because of this connection with your company, as follows:

> My chief object in addressing these lines to you is to enlist your kind cooperation in the following matter which I am sure will certainly be very beneficial to your combined interests with our mutual friend John.

Who is John?

Mr. YOUNG. That is myself.

Senator VANDENBERG (reading):

> It is of the greatest importance that I get together with John at the earliest possible moment, and as I am not able to leave for the States immediately, I venture to ask if it would be possible for you to convince John of the expediency of his taking a flying trip to Habana.

Skipping a few sentences, he goes on:

> * * * the important proposition which I want to place before John also involves an investigation which it will be necessary for him to make personally on the spot.
>
> * * * It is important that you assure him that the parties involved in this proposition are not by any means of those whom he has met in the past, but that they are absolutely serious gentlemen, both morally and financially, in whose name I am making this urgent request for his visit to Habana.

This reference to the men you have dealt with in the past refers to what?

Mr. YOUNG. It refers to the men in the previous exhibit.

Senator VANDENBERG. That would be the Machado regime or the Cespedes regime?

Mr. YOUNG. I think I would be hazarding a wild guess to interpret who he did mean there.

Senator VANDENBERG. Very well. I don't want any wild guesses. Did you do any business with the Cespedes regime?

Mr. YOUNG. No; I did not.

Senator VANDENBERG. At any rate, you are being requested to make a quick trip to Havana and it is being pressed upon you the importance of the trip. We will pick that up in a moment again.

I show you now another letter which I may offer as an exhibit, dated October 27, 1933. I shall have to refer to my chart to find out the government that was in control each time I pick up a different letter. This time they were under the Grau government. This is October 1933. This is a letter addressed to Mr. Jonas and signed by Luis R. Rios. Who is he?

Mr. YOUNG. Rios is a commercial agent in Havana. He sells the Government and he represents other companies.

Senator VANDENBERG. He represents your company simply among many others; is that correct? Or does he represent your company only?

Mr. JONAS. No. He represents several companies.

Senator VANDENBERG. Mr. Rios is now writing to you, congratulating you on the prompt and efficient manner you have handled his inquiries and says that that is just the kind of service the army expected and required. I call your attention to the last paragraph, which reads:

> With the change in government we have gained inconceivably.

What would that refer to?

Mr. JONAS. I had left for South America, and Mr. Rich, who is here, can answer all these questions from 1933 on. I was traveling for Remington and would not know about this. If you would like to have Mr. Rich, he is here.

Senator VANDENBERG. Let us have Mr. Rich, so that we can have the full picture.

Senator CLARK. You also travel for Remington?

Mr. JONAS. The last year I have been traveling practically exclusively for them.

Senator CLARK. How is that?

Mr. JONAS. For the past year I have been traveling practically exclusively for them.

Senator CLARK. And you do not any longer represent the Federal Laboratories?

Mr. JONAS. Mr. Rich runs my office now, sir. I still have the agency.

Senator CLARK. You still have the agency for Federal Laboratories?

Mr. JONAS. Yes, sir.

Senator CLARK. And also are the agent for Remington?

Mr. JONAS. Remington Arms. But there is no connection between Remington and the Federal Laboratories.

(Carleton W. Rich thereupon came forward and was duly sworn by the chairman.)

Senator VANDENBERG. What is your connection, Mr. Rich?

Mr. RICH. I am associated with Mr. Jonas in the general export business and in his work as export agent for Federal Laboratories.

Senator VANDENBERG. We are discussing the final paragraph of this letter from Mr. Rios, dated October 27, 1933, addressed to Mr. Jonas, in which he states:

> With the change in government we have gained inconceivably.

What does he mean by "With the change in government we have gained inconceivably?"

Mr. RICH. My interpretation of that is that he felt that he possibly had better contacts with the people in charge in the Government.

Senator CLARK. And that meant that you had, too?

Mr. RICH. As it might reflect upon us. The "we" refers to himself.

Mr. YOUNG. May I add, inasmuch as Mr. Rios was not our appointed agent, he was referring, I think, to his own associates down there, to try to impress on us the fact that he was standing in better now with this new government than he had with the old?

Senator VANDENBERG. I think that is probably so, because the next sentence is:

> Formerly General Herrera was against us and all the lesser officers with us. Now those lesser officers are up above, and we can reach the point of actually controlling all purchases—as long as they stay.

In other words, this is one of those proletarian affairs where, when they finally get an opportunity, they do the same thing to which they were objecting before they had a chance to do it themselves.

That would not be an unfair interpretation, would it?

Mr. YOUNG. Well——

Senator VANDENBERG. This is just the opinion of Mr. Rios?

Mr. YOUNG. I would not put that in and hand it to the new men.

Senator VANDENBERG. These new men are not the present government of Cuba. This is 1933 that we are discussing.

Mr. YOUNG. Those new men in the army—there was no change in the army, you see.

Senator VANDENBERG. Oh, yes.

Mr. YOUNG. I mean, after the overthrow of the army, which was simultaneous with the overthrow of Machado, the army officers under the Cespedes government continued right through to the present government.

Senator VANDENBERG. Inasmuch as Mr. Rios is not here as a witness and I, for one, have no interest in conversational gossip by these highly imaginative salesmen, except as they are here to testify exactly to what they know, I will not offer this letter as an exhibit.

Senator BONE. When did the Machado government go in?

Mr. YOUNG. I do not know, sir.

Senator VANDENBERG. They went in 1924 and stayed in until August 1933.

Mr. Young, I show you now what appears to be a memorandum signed by J.W.Y. That is yourself, is it not?

Mr. YOUNG. That is right; yes, sir.

Senator VANDENBERG. This is a memorandum, then, signed by you and dated November 10, 1933, which I offer as "Exhibit No. 618."

(The memorandum referred to was marked "Exhibit No. 618", and is included in the appendix on p. 1840.)

Senator VANDENBERG. It reads as follows:

> In conversation with Mr. Texidor on Tuesday, Nov. 7th, I promised him a commission of 10 percent on all business done with the Menacol-Mendietta group and commission of 15 percent to 20 percent, depending on the product on all business done with the Grau group.

On November 10, 1933, the Grau administration is still in control, is it not?

Mr. YOUNG. Yes, sir.

Senator VANDENBERG. And at this time the Menocal-Mendieta group are anti-Grau, are they not?

Mr. YOUNG. That is right, sir.

Senator VANDENBERG. And you are instructing your agents that if he does business with those who are on the outside, he can get 10 percent commission on it, and if he does business with the Government, he can have a 15- to 20-percent commission; is that right?

Mr. YOUNG. That is right, Senator.

Senator VANDENBERG. You are offering to do business with both sides?

Mr. YOUNG. No, sir.

Senator VANDENBERG. Well, how can I interpret it in any other way?

Mr. YOUNG. May I explain?

Senator VANDENBERG. Certainly.

Mr. YOUNG. About the first of November there should be a letter in here—I think it was lost from my files, but I will give you the contents of it from memory. It followed my refusal to go down, as referred to in the previous exhibit put in here. He wrote me again—or it might have been a telephone call, I am not sure—asking if I would not come down and have a conference with him in Habana.

I went to Washington and talked to members of the State Department in the Latin American Division, gave them a complete history of my contact with these people, and asked them what I should do.

They said they could not advise me in it, but the logical thing seems to be to go down there and see what there was to it and they would at least be interested in finding out.

I met the people in the Naval Intelligence Bureau and gave the same story. When I got into Habana I gained the impression that the Grau group did not represent the people of Cuba. They were in power, but they were not at all popular and the leaders, as I could size them up, and the leaders as I knew them—I had met others whom I had never met before—were on the outside. I told Texidor that I could make no decision what to do until I came back to the United States. We would certainly have to work one way or the other.

I came back and stopped in Washington on my way through and had a further conference with the State Department. I was told there that they did not care to be quoted; they could not advise me; that the matter was up to my own judgment entirely. There was no ruling, no law, no treaty to their knowledge that would control the situation. I could do business either way I wanted.

The Grau government, as you recall, was not recognized. Our own Government did not see fit to do that.

Senator VANDENBERG. That is correct.

Mr. YOUNG. And I told the State Department that in my judgment the sensible thing to do was to do business with those who were out rather than the government in power or the men who were holding down that position.

Senator VANDENBERG. So the purpose of the higher commission upon business to the Grau administration was to increase the price to that particular group so as perhaps to make the purchase prohibitive?

Mr. YOUNG. No; it was not, sir; because I later paid that same commission on business with the Menocal-Mendieta group.

Senator VANDENBERG. Then what was the purpose of this memorandum, which makes the discrimination 10 percent to the "outs" and 20 percent to the "ins"? What is the purpose of the discrimination except to discourage the sales to the "ins"?

Mr. YOUNG. No; it would be discouraging sales to the "outs", because I was not giving him as much commission at that time. After all, when you are dealing with an agent, they put plenty of pressure on you to get all the commission they can.

Senator VANDENBERG. But does not the commission affect the price?

Mr. YOUNG. Not necessarily so.

Senator CLARK. What was the basis of this difference in commissions to the "outs" and the "ins"? How was it that on business to Grau's crowd you were willing to allow a commission of 20 percent and on business to the Menedieta crowd you were willing to allow a commission of only 10 percent?

Mr. YOUNG. That was about the best deal that I could drive with Texidor at that time. That would be my answer.

Senator CLARK. Did Texidor give you any reason why there should be one kind of commission for one group and another kind of commission for another group?

Mr. YOUNG. He said that the Grau group had the money, the other group were asking for credit and, as you recall, I think they got some credit.

Senator VANDENBERG. You sold to the Grau group some material, did you not? You sold some material down there during the Grau regime, did you not?

Mr. YOUNG. I would have to refer to my records, I do not recall it.

Senator VANDENBERG. Would it not be fair to say, Mr. Young, that the purpose of this discrimination related directly to your belief as to which government was the better government in Cuba?

Mr. YOUNG. No; I would not say so.

Senator VANDENBERG. Did I misunderstand you, or am I correct in remembering that you said that you thought a change would be advantageous?

Mr. YOUNG. Yes; I did. But remember I knew nobody in the Grau group. I knew all the leaders by that time in the Mendietta group, and I did not need the assistance in that group that I did in the Grau group.

Senator VANDENBERG. Apparently you were willing to deal with both groups.

Mr. YOUNG. Yes; I was. I would put it this way: I was willing to deal with either group.

Senator CLARK. Did Texidor suggest this difference in commissions, or did you?

Mr. YOUNG. No. I suggested that difference in commissions.

Senator CLARK. What was this difference in commission based on, Mr. Young?

Mr. YOUNG. They had all been 10 percent, or would have been if I had had them my way, speaking from the manufacturer's standpoint. I do not think I am disclosing any trade policy there. But I had not any particular contacts in the Grau group and Texidor refused to work for anything less in that group.

Senator CLARK. So that Texidor did suggest the difference in the commissions?

Mr. YOUNG. He suggested the set-up; yes.

Senator VANDENBERG. After you left the State Department, the situation was that they left it to your judgment as to what you were to do?

Mr. YOUNG. That is correct, and they asked me to keep them advised.

Senator VANDENBERG. And the purpose of the discussion with the State Department inevitably must have been to find out the relative merits on the regime or of that which might succeed it?

Mr. YOUNG. That is right.

Senator VANDENBERG. And that factor did not, you say, enter into your ultimate decision respecting prices at all?

Mr. YOUNG. No, sir.

Senator VANDENBERG. You were not attempting to influence the outcome?

Mr. YOUNG. No, sir.

Senator VANDENBERG. On the contrary, you were perfectly willing to sell to both sides simultaneously?

Mr. YOUNG. No; I would not say that.

Senator VANDENBERG. Well, if Texidor had sent you one of these orders on which a commission of 10 percent would apply, from the "ins", and one of these orders on which a 20-percent commission would apply, from the "outs", on the same day, you would fill them both, would you not?

Mr. YOUNG. No; I would not admit that.

Senator VANDENBERG. You mean that when you got those orders you would decide which one you wanted to fill?

Mr. YOUNG. Not having come to that question, I never had to make that decision.

Senator VANDENBERG. As a matter of fact, Mr. Young, the destiny of governments in South and Central America frequently hangs just as much upon the attitude of the munitions makers as it does upon the attitudes of other governments or peoples, does it not?

Mr. YOUNG. No; I do not think it always does.

Senator VANDENBERG. I did not say always.

Mr. YOUNG. I do not think it did in this case; I do not think it did in this case at all.

Senator VANDENBERG. You have known of cases where that was or could be the situation, have you not?

Mr. YOUNG. I imagine that that has been the case at times. May I add, Senator——

Senator VANDENBERG. Certainly.

Mr. YOUNG. That the change of government took place down there without any force. So that it was not a case of the munitions maker swinging the change in government.

Senator CLARK. You had given a schedule to Mr. Texidor. You agreed with him on a basis of commission of both for Grau and for Mendietta?

Mr. YOUNG. Yes, sir.

Senator CLARK. And if he had accepted an order from Grau and one from Mendieta, as Senator Vandenberg has suggested, and they came to your place on the same day, you say you had not made up your mind what you were going to do; that you might have filled both or you might have filled only one and left the other fellow in the lurch, after he had given Texidor an order and relied on him to get it filled.

Mr. YOUNG. Senator, I think it is a bit unfair——

Senator CLARK. What was your purpose in having a double set of commissions, different for each side, in your arrangement with Texidor, unless you knew what you were going to do?

Mr. YOUNG. I explained that when I gave that to Texidor I did not know what I was going to do and I told them I could not advise him until I came back up here and talked to the State Department.

Senator CLARK. Did you ever tell Texidor which crowd he could deal with and which crowd he could not deal with?

Mr. YOUNG. I did.

Senator CLARK. When did you do that?

Mr. YOUNG. About 2 days after I got back.

Senator CLARK. That was before Grau was turned out?

Mr. YOUNG. I think it was; yes.

Senator CLARK. You notified Texidor before Grau was turned out?

Mr. YOUNG. That he should play with the Mendieta group.

Senator CLARK. That you were going to cast your lot in with the Mendietta group.

Mr. YOUNG. Yes.

Senator CLARK. And not to deal with the Grau group?

Senator VANDENBERG. In other words, with the " outs " instead of the " ins."

Mr. Young. That is right.

Senator Vandenberg. Therefore, have you notified your agent that he could not sell to the "ins", but he could sell to the "outs"——

Mr. Young. I did not say that he could not sell to the "ins." I do not recall that I did. I told him, I said that we were going to work with the "outs."

Senator Vandenberg. What did that mean? What were you going to do when you were going to work with the outs?

Mr. Young. I think our files reveal what we did, because within a week after I returned from Habana, there is a record of a conference.

Senator Vandenberg. Abstractly and without reference to this particular situation, if you control a group of munitions which is essential in a war situation and can withhold that equipment from A and give it to B, or sell it to B, you have very definitely influenced the outcome of the situation, have you not?

Mr. Young. I would say so.

Mr. Vandenberg. And that is precisely the situation that existed, potentially at least, when you notified your agent, as you have indicated to Senator Clark.

Mr. Young. I did not tell him not to sell to the Grau group. I told him to go ahead and work with the other group. The Grau group had a perfect right to send in an order; they had our quotations.

Senator Clark. What would you have done if the Grau group had sent in an order?

Mr. Young. I repeat, Senator, I think you are pressing me on a situation that did not develop.

Senator Clark. All right; you must have had something definitely in your mind when you gave Texidor this double scale of commissions. What would you have done if Texidor had gotten an order from both Grau and Mendieta? Was it your purpose to fill both orders, or was it your purpose to fill one order and leave the other fellow in the lurch?

Mr. Young. I do not think it was possible for Texidor to do that.

Senator Clark. You must have thought that there was some possibility of doing it when you agreed with him on these commissions.

Mr. Young. That is right.

Senator Clark. You made him an offer of a very attractive commission on which he could negotiate?

Mr. Young. Understand, our regular commission is 20 percent.

Senator Clark. Then, you were just chiseling on the Mendieta contract; is that it?

Mr. Young. No; because I had contracts there which were not exactly any contribution of his.

Senator Clark. Still I do not understand what you intended to do if he had been able to sell on the basis of both commissions which you gave him, one for Grau and one for Mendieta. He had a perfect right to sell Grau and he had a perfect right to sell Mendieta under that agreement with you, did he not?

Mr. Young. Yes.

Senator Clark. Now, if he had sold both of them, what would you have done?

Mr. Young. May I get that question just a little clearer? Is it a question of whether we sell both sides of a dispute?

Senator Clark. I am just asking you what you would have done in case you had gotten an order from both sides. According to your own story and according to this memorandum, you had given Texidor authority to negotiate with Mendicta on a commission of 10 percent and with Grau on a commission of 20 percent. That certainly gave Texidor the right to negotiate with them, did it not?

Mr. Young. It did, sir.

Senator Clark. And if he had taken orders from both parties, what would you have done about filling those orders? Would you have filled them both or would you have left one of them in the lurch, after he had given you an order and depended on you to fill it?

Mr. Young. I repeat, I did not come up against that problem.

Senator Clark. What did you have in mind when you gave that double scale of commissions to Texidor?

Mr. Young. I was not clear which side could buy, until I came back to Washington to find out.

Senator Clark. In other words, you did not know which way you were going to jump?

Mr. Young. That is right.

Senator Clark. And until you had decided which way to jump, you could not decide what you were going to do if both sides wanted to buy?

Mr. Young. It was not a case of my jumping; it was a case of the findings in the situation down there.

Senator Clark. You came back and wrote this memorandum after you had been down there and made your findings; is that correct? You put in your files a memorandum of this agreement with Texidor?

Mr. Young. That memorandum was made in Habana.

Senator Clark. It is dated the 10th of November. When did you return?

Mr. Young. The agreement was made on the 7th.

Mr. Clark. But the notation of it in your files, which we have here and which has just been offered in evidence, is a date of the 10th of November, 3 days later. Was that made in Habana or when you returned to your office?

Mr. Young. I had a habit of making memoranda on this equipment of all my transactions.

Senator Clark. Where was this made?

Mr. Young. This was made in Pittsburgh.

Senator Clark. This was made in Pittsburgh, and at the time you made this memorandum of this double scale of commissions and you decided what you were going to do if you got orders from both parties?

Mr. Young. This agreement was not made in Pittsburgh.

Senator Clark. I understand; but the memorandum was made in Pittsburgh. At the time you wrote down this memorandum of the agreement made 3 days before in Habana you decided what you were going to do if both parties sent you orders through Texidor?

Mr. Young. I would say it was probably a week after I got back before we did anything on that, when Dr. Martinez Saenz came to Pittsburgh.

Senator CLARK. Did you ever notify Texidor that you would not accept orders from the Grau crowd?

Mr. YOUNG. No; I did not.

Senator CLARK. In other words, you left Texidor down there with authority to negotiate with both parties?

Mr. YOUNG. Yes, sir.

Senator CLARK. But you had decided in your own mind that you would not accept orders from Grau if they came in?

Mr. YOUNG. I did not decide that I would not accept orders from Grau if they came in.

Senator CLARK. What would you have done if orders from Grau had come in?

Mr. YOUNG. I repeat that I did not have that question to settle.

Senator VANDENBERG. Let us see whether you did or not, Mr. Young. I show you a letter from yourself dated November 21, 1933, addressed to the State Department. This is 11 days after the memorandum which we have been discussing, and I offer this as "Exhibit No. 619."

The letter referred to was marked "Exhibit No. 619" and is included in the appendix on p. 1840.)

Senator VANDENBERG. This letter reads as follows:

> Referring to our letter of November 17 relative to an order for thirty Thompson sub-machine guns for the Government of Cuba, * * *

The Government of Cuba was then the Grau government?

> * * * wish to advise that this order has been increased to sixty guns.
>
> In your letter to Auto Ordnance Corporation will you please have it read sixty Thompson sub-machine guns instead of thirty?

Does that indicate that you are selling Thompson sub-machine guns to the Grau government?

Mr. YOUNG. It does.

Senator VANDENBERG. So you did sell to the Grau government?

Mr. YOUNG. Not through Texidor.

Senator VANDENBERG. Oh!

Senator CLARK. This is another commission!

Senator VANDENBERG. But, regardless of Texidor, you did confront a situation in which you had to decide whether you would sell to Grau or to the outs?

Mr. YOUNG. I did.

Senator VANDENBERG. And you decided to sell to Grau?

Mr. YOUNG. That is right.

Senator VANDENBERG. So you did sell to Grau?

Mr. YOUNG. Yes, sir.

Senator VANDENBERG. We will return now to another exhibit, which I will offer as "Exhibit No. 620."

(The document referred to was marked "Exhibit No. 620" and is included in the appendix on p. 1840.)

Senator VANDENBERG. This appears to be a telegram addressed to your company, reading as follows:

> Young will arrive in today's plane.

And it is signed "Martinez."

Is this Martinez Saenz?

Mr. YOUNG. It is, sir.

Senator VANDENBERG. Who was secretary under the Cespedes Government?

Mr. YOUNG. I believe so.

Senator VANDENBERG. Is he a member of the new Government?

Mr. YOUNG. He was secretary under the Mendietta Government.

Senator VANDENBERG. He was not a member of the Grau Government?

Mr. YOUNG. Not at this time; no.

Senator VANDENBERG. You are now meeting Martinez Saenz, who represents the outs?

Mr. YOUNG. That is right.

Senator VANDENBERG. Having just sold to the ins?

Mr. YOUNG. That is right. Senator, I had no decision on that Thompson order at all, and that is the reason I was not familiar with the buying of the guns. It came to me to write that letter to the State Department, but the order was sold by Mr. Rios through Mr. Jonas.

Senator VANDENBERG. You entirely controlled the sale of the Thompson gun?

Mr. YOUNG. I did not at that time, in Cuba. Since then I have.

Senator CLARK. What did you have to do with the distribution of the gun in Cuba?

Mr. YOUNG. Until sometime after that, about April of this year, the Thompson machine gun in Cuba was practically open to anybody to sell. We took over the distribution early in this year.

Senator CLARK. You did sell this order to the Grau Government?

Mr. YOUNG. It eventually cleared through us, but I had nothing to do with the taking of it, and I knew very little of it.

Senator CLARK. You are the one that communicated to the State Department to get licenses to export the guns?

Mr. RICH. May I clear that?

Senator VANDENBERG. Yes; go ahead.

Mr. RICH. That was an order that came through Rios and came to us, and Mr. Young did not know anything about it. Inasmuch as they operated through Mr. Young, we passed that over to him to get the permit of the Government, as we always do.

Senator VANDENBERG. Mr. Young signed the letter?

Mr. YOUNG. I am not sure I signed it.

Senator VANDENBERG. It is signed by the president of the company.

Mr. YOUNG. It would be signed in my name; yes; by Mr. Oberdeck, who, I believe, signed it.

Senator BONE. I take it your company, in keeping with the practice which seems to be almost universal, has delivered munitions to agents in Latin America whose principal was not disclosed?

Mr. YOUNG. I would not say so.

Senator BONE. It has been revealed here in the testimony and some of the correspondence that the agent refuses to disclose his principal in closing the deal. If you had an order for stuff you are selling and some man puts the money on the barrel head, would you demand of him full and complete facts about his principal?

Mr. YOUNG. Yes; I would; and I have turned those orders down.

Senator VANDENBERG. Now, I show you, Mr. Rich, a letter signed by you and addressed to Mr. Rios at Habana, dated December 19, 1933, which letter will be marked as an exhibit with the appropriate number.

(The letter referred to was marked "Exhibit No. 621" and is included in the appendix on p. 1841.)

Senator VANDENBERG. I read from this letter, "Exhibit No. 621", as follows:

> It certainly was a tremendous surprise to have you confirm in your letter of the 17th that this man Figuerola has actually been appointed by Batista to purchase for the Cuban Army.

Who is Figuerola?

Mr. RICH. He is a man I have never met, but I have heard a great deal about him that would not lead me to believe he was the kind of man to represent any government.

Senator VANDENBERG. You think you have full justification in describing Mr. Figuerola as you did in the next paragraph?

Mr. RICH. You mean with regard to his contemplated purchase of a cheaper gun?

Senator VANDENBERG. No; I mean respecting his reputation, and that you were dead right, and so forth. Do you think you were justified in that statement?

Mr. RICH. I believe I was; yes.

Senator VANDENBERG. The sentence I refer to reads as follows:

> You are dead right in your information that one very high-class and reputable American manufacturer has refused to deal with Mr. Figuerola.

Who was that manufacturer?

Mr. RICH. The Remington Arms, so I understood.

Senator VANDENBERG. And reading further, it says:

> And I believe that there are others who either have refused or will refuse if he approaches them. I would not be a bit surprised, as a matter of fact, if certain officials in the Cuban Army were advised quite definitely by several American manufacturers that they want no dealings of any kind with Mr. Figuerola.
>
> So far as his intended purchase of machine guns is concerned, it is my understanding that he intended to purchase the Bergam gun and that this is a very cheap, small calibre, which can in no way be compared to the Thompson.

What is the Bergam gun?

Mr. RICH. I know it from reputation, but I do not know it personally. Mr. Jonas can tell you about it.

Mr. JONAS. It is a German machine gun.

Senator CLARK. What calibre?

Mr. JONAS. I think it is 2065, a smaller calibre than the Thompson, and it is a submachine gun, too.

Senator VANDENBERG. Do you know whether any of the Bergam material went into Cuba, Mr. Rich?

Mr. RICH. I do not.

Senator VANDENBERG. Mr. Rich, I show you another letter which is addressed to Mr. Ryan and signed by Mr. Young. It is dated December 14, 1933, which is offered as an exhibit under the appropriate number.

(The letter referred to was marked "Exhibit No. 622" and is included in the appendix on p. 1841.)

Senator VANDENBERG. I ask you, Mr. Rich, whether your identification of Mr. Figuerola in the first paragraph of that letter is justified?

Mr. RICH. That was my understanding of it. I did not see his purchase, but I felt that was true.

Senator VANDENBERG. The paragraph to which I refer, reads as follows:

> Mr. Rich writes me that we had an upset on our contemplated order from Cuba due to the fact that a Mr. Figuerola, who has a questionable reputation as a "gun runner" has underbid us to the Cuban Government on the Thompson submachine guns.

What is a gun runner?

Mr. RICH. I did not write the letter, but my interpretation of a gun runner would be one who succeeds, or tries to get guns into a country illicitly.

Senator BONE. In other words, he bootlegs guns into a country?

Mr. RICH. That is it, I should say.

Senator BONE. How do these gun runners get the guns to run into a country?

Mr. RICH. I do not know.

Senator BONE. It must be from the manufacturers.

Mr. RICH. I do not know.

Senator BONE. We must assume that.

Mr. RICH. I suppose so.

Mr. YOUNG. May I add, we never cared to get close enough to that business to find out where they did get them.

Senator BONE. Don't you think it would be a good idea for legitimate business men to get closer to it and find out?

The CHAIRMAN. Yes; but legitimate business men do not want to know all about their business sometimes.

Senator BONE. It seems to me it would be material for the man who has the exclusive agency for the Thompson guns to find out where they do get them illegally.

Mr. YOUNG. May I add, Mr. Figuerola took that order; and, if my mind does not fail me, this order which you are referring to from the Grau San Martin government was never cleared, and Figuerola caught the order before the letter of credit was opened up and took the order for Thompson machine guns. I also want to add, with reference to reputable American manufacturers refusing to deal with him, there were two others who did not—the Auto Ordnance Corporation and the Federal Laboratories.

Senator VANDENBERG. Did he get the guns?

Mr. YOUNG. No; he did not get them.

Senator CLARK. Why did you refer to him as a "gun runner"?

Mr. YOUNG. Why did you refer to Mr. Sedgley as "Sidewalk" Sedgley? Pardon me for the question, but I mean the same reason.

Senator CLARK. I didn't refer to him as "Sidewalk" Sedgley, although I have heard him referred to that way.

Mr. YOUNG. It is the vernacular of the street.

Senator VANDENBERG. Did Mr. Figuerola have the right to handle Thompson guns at that time?

Mr. YOUNG. No right whatsoever.

Senator VANDENBERG. He did not have a right to quote on them?

Mr. YOUNG. No. sir.

Mr. RICH. I notice this letter does not claim he was going to bootleg Thompson guns, but he was going to purchase them and ship them there.

Mr. YOUNG. He got a price on Thompson machine guns through a misrepresentation.

Senator CLARK. Who did he get the price from?

Mr. YOUNG. From Mr. Ryan's stenographer.

Senator CLARK. That was the Auto Ordnance Co.?

Mr. YOUNG. That is right.

Senator VANDENBERG. The next exhibit will be a letter from Mr. Young to Colonel Batista, dated December 22, 1933.

(The letter referred to was marked "Exhibit No. 623" and is included in the appendix on p. 1842.)

This letter, "Exhibit No. 623", Mr. Young, would seem to justify what you said about your position, and I read the third paragraph simply for the purpose of supporting your testimony. It is as follows:

> We have been approached by Mr. Figuerola, but it is not convenient for us to conduct this business through Mr. Figuerola. So that you will not be disappointed I am writing to you to tell you that we are desirous of serving you, and I sincerely trust we might have the pleasure of handling this in the same manner as the previous order.

That indicates that you did not deal with Mr. Figeurola.

Now, I offer as the next exhibit an invoice to Martinez Seanz from the Federal Laboratories, Inc.

(The invoice referred to was marked "Exhibit No. 624" and is included in the appendix on p. 1842.)

Senator VANDENBERG. The Martinez Seanz to whom this invoice is directed has previously been identified as in opposition to the Grau Government. Is that correct?

Mr. YOUNG. That is right, sir.

Senator VANDENBERG. Was Grau still President on December 30, 1933?

Mr. YOUNG. I do not have the record of that.

Senator VANDENBERG. I think he did not go out until January 16, 1934. This is an order for gas masks, riot guns, incendiary bombs, and so forth and so on, sold to Martinez Seanz, is it not?

Mr. YOUNG. That is right, sir.

Senator VANDENBERG. So that here again you are selling to the "outs" on the threshold of their arriving as "ins."

Mr. YOUNG. Yes, sir. That equipment is still in storage here and has never been delivered. That was a memorandum invoice, as it is marked, I believe.

Senator VANDENBERG. I offer as the next exhibit a shipping order dated January 18, 1934.

(The document referred to was marked "Exhibit No. 625" and is included in the appendix on p. 1842.)

Senator VANDENBERG. This order is dated January 18, 1934, and the Grau administration is now out and the Mendietta administration is in; and, in fact, it came in on the day previous. This is another shipment to Martinez Seanz evidently ordered before the change in government. If the government changed on the 17th of January, manifestly this order was negotiated prior to the change.

Mr. YOUNG. This order was to take effect on the new government.

Senator VANDENBERG. This was an order taken before the new government came in contingent upon its arrival?

Mr. YOUNG. Yes, sir.

Senator VANDENBERG. Well, that would bear out that you intended to work with the "outs" to get in.

Mr. YOUNG. That is right.

Senator VANDENBERG. I now offer as the next exhibit a letter of date January 18, 1934, directed to Martinez Seanz from yourself, Mr. Young.

(The letter referred to was marked "Exhibit No. 626" and is included in the appendix on p. 1843.)

Senator VANDENBERG. This letter appears to be addressed to Martinez Seanz, who is still in New York, and I read from it, as follows:

> Confirming our understanding reached in New York on Tuesday night, we promptly proceeded with the additional order for thirty 300-pound demolition bombs, 500 gas masks, and 100 portable chemical cylinders, and we are also pushing production on the balance of the grenades and gas projectiles.

That is the order previously identified in an exhibit just introduced. Then along toward the end of the letter it further says:

> We shall look forward to receipt of your draft for $15,000.00, plus expense money in Friday's mail to cover us for the new commitments in your order.

The new commitments are for the new government. Is that correct?

Mr. YOUNG. I presume that is what it covers.

Senator VANDENBERG. The letter further reads:

> I would greatly appreciate if, in the future, you would keep in closer touch with us by confidential correspondence addressed to me under personal cover.

What is the point of that?

Mr. YOUNG. To have it addressed to me rather than to the general office staff.

Senator VANDENBERG. You were on rather intimate terms with Mr. Seanz, were you not?

Mr. YOUNG. Well, I considered him then, and still consider him a very close friend.

Senator CLARK. Seanz was the leader of a political organization, or one of the leaders of an organization known as the "A.B.C." group.

Mr. YOUNG. That is right.

Senator CLARK. And these bombs were used rather carelessly in Cuba in a campaign in which a number of citizens were killed down there?

Mr. YOUNG. No, sir.

Senator CLARK. They did conduct such a campaign down there.

Mr. YOUNG. Not with our equipment.

Senator CLARK. They did not use your equipment, but they did use other equipment.

Mr. YOUNG. I would not say the A.B.C. conducted that campaign; I do not know.

Senator VANDENBERG. Now, we come to another letter dated January 20, 1934, addressed to Carlos Mendieta, and signed by yourself, Mr. Young, which we offer as an exhibit.

(The letter referred to was marked "Exhibit No. 627" and is included in the appendix on p. 1843.)

Senator VANDENBERG. This letter, "Exhibit No. 627", reads exactly like the letter you wrote about the Cespedes inauguration, and it reads:

> It was with great pleasure that I read of your acceptance of the presidency of the Republic of Cuba, and I believe it is in order to congratulate the people of Cuba in having a man of your sympathies and experience to direct them at such a critical time.
>
> I wish to pledge to your support the staff and resources of the Federal Laboratories to assist you in bringing and maintaining order in Cuba.

This final change met with your entire approval?

Mr. YOUNG. It did, sir, if my approval meant anything. I was glad to see it.

Senator VANDENBERG. You have made some contribution to it, have you not?

Mr. YOUNG. Financially?

Senator VANDENBERG. No; in an indirect way?

Mr. YOUNG. Yes; I had frequently urged upon all of the leaders the wisdom of exactly what they did, and that was to form a coalition government and stop their fighting.

Senator VANDENBERG. You had urged that upon all of the leaders in Cuba?

Mr. YOUNG. All of the leaders I had met. There were three groups at the time.

Senator VANDENBERG. Yes; I understand. The relations of the United States Government to Cuba have been particularly acute and delicate because of the Platt amendment, have they not, and there has been a particular responsibility upon us as a result of the Platt amendment?

Mr. YOUNG. Yes; until it was rescinded.

Senator VANDENBERG. Certainly; which was considerably later. During this period the American Ambassador in Cuba was engaged in constant conferences on behalf of the United States Government in his official capacity seeking to work out an adequate program for the safety of lives and property and the development of a stable government, was he not?

Mr. YOUNG. He was recommending the same program of coalition.

Senator VANDENBERG. How do you know what program he was recommending?

Mr. YOUNG. I think it was rather common knowledge.

Senator VANDENBERG. At the same time he was dealing with these gentlemen, as I understand, you were also in conference with them?

Mr. YOUNG. Yes, sir.

Senator VANDENBERG. And you were making recommendations which you understood were the same as those being made by our representative. Is that right?

Mr. YOUNG. Some of them.

Senator VANDENBERG. You mean some of them were not?

Mr. Young. I mean I was making some recommendations he was not making in disarmament. I think Mr. Welles was interested in keeping himself clear from that.

Senator Vandenberg. Clear from what?

Mr. Young. Any question of armament, and I think he did it admirably, too.

Senator Vandenberg. Was that your only interest, armament ordnance—was that all you had in mind?

Mr. Young. No; what I had in mind was what I have accomplished since.

Senator Vandenberg. We will come to that shortly. What I am trying to establish, and I say to you I am not intending to be zealous in any sense, but I am simply trying to establish the fact that here, in a distinctly delicate situation respecting the diplomatic relationship between the United States and the Republic of Cuba and American munitions makers were holding conferences with important officials in Habana, primarily interested in armament orders, and suggesting to the same Cuban officials the propriety of a future course of action with respect to their government. That is a correct statement, isn't it?

Mr. Young. Would you mind stating that for me again, please? I do not think I agree with it, but I want to be sure I understand you.

Senator Vandenberg. Well, I think I would rather rephrase it. I am trying to determine this, at a moment when a delicate diplomatic problem between the United States and the Republic of Cuba is being handled through the regular diplomatic channels, simultaneously an American munitions maker, who is primarily concerned with armament orders, is holding conversations relating to precisely the same diplomatic situation and offering his advice to these Cuban officials. Is that a correct statement?

Mr. Young. May I add to that statement that all of my advices, all of my meetings were reported to the State Department with the statement that at any time they told me to stop, I would stop. I want to hold the State Department free from any question in this connection. They handled this just as admirably, I think, as any men could. I have not anything but the highest praise. They said they would not participate in taking sides.

Senator Vandenberg. I am not criticizing the State Department, and abstractly I am not criticizing you. However, whatever it amounts to, the statement of facts I made is true?

Mr. Young. The statement of facts you made is true, and I would like to define that word "armament." The program that was generally carried through was one of police and tear gas, and my conferences with Martinez Saenz at that time dealt with the organization of a national police force on the basis of our State constabulary. I expected to make a profit out of it, as I am in business for profit.

Senator Vandenberg. That is incidental and corollary to the statement I am trying to establish. Eliminating your interest, I am interested in the contemplation of a munitions salesman paralleling the diplomatic activities of the Government of the United States in a delicate foreign situation with advice of his own to the same representative of the foreign government with whom our Government is engaged in the negotiations.

Mr. YOUNG. My advices were patterned after those being made. I was simply urging them against what appeared to be my own interest. They were talking about an order of $300,000, and I said: "The sensible thing to do is to follow the advice being given you about the formation of a coalition and not fighting it out, because you must eventually get together."

Senator VANDENBERG. Are you familiar with the terms of the Logan Act?

Mr. YOUNG. I never heard of it.

Senator VANDENBERG. This conclusion certainly is fairly drawn from the examination in which we have just been engaged: that you as a representative of the munitions business, during this episode in Cuba, clearly demonstrated that the business of importing munitions is inseverably tied with the public interest and cannot be separated at all from the public interest and the policies of the Government of the United States. That is true, isn't it?

Mr. YOUNG. I should think so.

Senator VANDENBERG. Now, Mr. Young, I show you the next exhibit, which will be given a proper mark, and is another letter from you to Dr. Martinez Saenz, dated January 22, 1934.

(The letter referred to was marked "Exhibit No. 628" and is included in the appendix on p. 1843.)

Senator VANDENBERG. I wish to call your attention to the final paragraph of that letter:

> This letter is not in the nature of a complaint. It is an appeal to the sense of fairness of yourself and your associates to see our end of the work completed to a point where it does not work a hardship upon us.

What do you mean by that?

Mr. YOUNG. That means that the new government had not yet given us a confirmation of the material which was promised.

Senator VANDENBERG. Have you yet been paid at this time for that order which you accepted from Saenz prior to the change in government?

Mr. YOUNG. I had some money to return to Martinez Saenz.

Senator VANDENBERG. There is no obligation outstanding against the revolutionary group, or was none at the time this letter was written?

Mr. YOUNG. It would be a matter of checking dates there, Senator.

Senator VANDENBERG. At any rate, in other words, when you referred to the fact there in that letter that you felt that "the sense of fairness of yourself and your associates to see our end of the work completed to a point where it does not work a hardship upon us", you were referring exclusively to the payment of some current debts from the new government. Is that what you referred to?

Mr. YOUNG. That might have been.

Senator VANDENBERG. I realize it might have been. I was wondering what it was.

Mr. YOUNG. I am not clear in my own mind. There were a number of happenings there in just a few days.

Senator VANDENBERG. I am not blaming you for not being clear, because I cannot follow this except with a microscope. What does the phrase mean, "see our end of the work completed"? End of what work?

Mr. Young. The proposal which Martinez Saenz had for the organization of a national police force.

Senator Vandenberg. That refers entirely to the police-force project and has nothing whatever to do with the revolutionary movement?

Mr. Young. I should say so.

Senator Vandenberg. Did you feel that you had any obligation remaining running to you in return for whatever assistance you had given in the change of administrations?

Mr. Young. Personally?

Senator Vandenberg. No; the Federal Laboratories; or, personally, either one.

Mr. Young. I felt we had built up a goodwill there. There was no commitment to pay money. The matter was done entirely for future business.

Senator Vandenberg. I am just interested in the phrase "to see our end of the work completed", and I am wondering what that means.

Mr. Young. I do not think our end of the work is completed yet, Senator. We are still doing work down there.

Senator Bone. What work are you doing?

Senator Vandenberg. We are coming to that, Senator.

Senator Bone. Very well.

Senator Vandenberg. The next exhibit will be presented and properly identified, being a letter from Mr. Texidor to Mr. Young, from Habana, dated January 26, 1934.

(The letter referred to was marked "Exhibit No. 629" and is included in the appendix on p. 1844.)

Senator Vandenberg. This letter is confirming the cablegram from Texidor to you, that cablegram having read as follows [reading]:

> Young. Have made arrangements with president and Martinez for meeting tomorrow morning. Everything progressing very satisfactorily. Stop. Be prepared come immediately I advise you. Stop. Will communicate with you after conference.

That is where Mr. Texidor is arranging for a personal conference between you and the new President of the final regime. Is that correct—President Mendietta?

Mr. Young. Yes, sir.

Senator Vandenberg. Now, the next exhibit, which will be properly marked, is another letter from Mr. Texidor to Mr. Young, under date of January 29, 1934, and again confirms a cablegram which indicates a satisfactory result.

(The letter referred to was marked "Exhibit No. 630" and is included in the appendix on p. 1844.)

Senator Vandenberg (reading the cablegram):

> After conference with president and Doctors Martinez and Gomez. Result most satisfactory but believe extremely important you come immediately in order accelerate things. Stop. In making your plans you should figure that you will need remain here not less than week. Cable me when can expect you. Stop. Strongly recommend speedy action as among other reasons I have to go States myself very shortly.

That indicates that he has made the arrangement for your conference with the president, does it not?

Mr. Young. That is right, sir.

Senator Vandenberg. What does he mean in the next paragraph by the sentence:

> As you know, my position with the leaders and yourself is a peculiar one, and, therefore, your presence here is very important, not only for the winding up of your presently pending matter, but also in order to obtain the compensation to which you are so justly entitled.

What does that mean?

Mr. Young. Profit on the business I have been doing.

Senator Vandenberg. The business that you had been doing?

Mr. Young. The business that I had been doing and expected to do.

Senator Vandenberg. What business had you done up to January 29 except to sell them before they came in?

Mr. Young. $30,000 worth of business.

Senator Vandenberg. Was not that to the " outs " before they were in?

Mr. Young. That is right. Up to this time I had not done anything further.

Senator Vandenberg. So that when he refers to the compensation to which you are so justly entitled, he refers to the compensation which he figures you have earned through contributing to the success of this work?

Mr. Young. That is a voluntary statement on his part, his letter to me.

Senator Vandenberg. That is right. I am just wondering what was the proper interpretation of it is.

Senator Bone. What is there about that sort of relationship which is peculiar?

Mr. Young. Again I would not know what he means there. There was nothing peculiar about it to me, Senator.

Senator Vandenberg. You went to Habana as a result of this exchange of correspondence or as a result of these arrangements, did you not?

Mr. Young. I did, sir.

Senator Vandenberg. The next exhibit, which will be properly marked, is an unsigned letter addressed to Mr. Young, president of the Federal Laboratories, Inc., addressed from Habana, under date of February 10, 1934

(The letter referred to was marked " Exhibit No. 631 " and appears in full in the text.)

Senator Vandenberg. That letter reads [reading]:

> You are hereby appointed as a consultant to direct the planning, organizing, training, and equipping of a national police force, for which we agree to pay to you for your personal services the sum of ten thousand dollars ($10,000) U.S. currency, payable as follows: 50 percent upon the signing of this agreement, 25 percent in 60 days, and the balance, or 25 percent, in 90 days from the date of this agreement, and to further pay all traveling expenses incurred by you in the fulfillment of such duties.
>
> You are to give not less than 1 month of your time entirely to this service during the next 90 days, and 2 weeks additional time, if necessary, during this period. You shall be subject to call of the President for consultation during any period 6 months from date, and shall, if necessary, make two such trips to Cuba without additional personal compensation.
>
> Respectfully.

By whom was that in fact signed?

Mr. Young. That was not signed.

Senator VANDENBERG. You mean this arrangement was never made?

Mr. YOUNG. The arrangement was made, but there was some slight change in the wording. This is going into the record, and I do not want it to go into the record as it is, because there was some change in it. I do not have the copy which was actually signed. I will see that you get it, Senator.

Senator VANDENBERG. It is not particularly material, but can you indicate, for the time being, any material changes which were made in it?

Mr. YOUNG. Yes; there was $2,000 added to it.

Senator VANDENBERG. It was $12,000 instead of $10,000.

Mr. YOUNG. For assistants.

Senator VANDENBERG. $2,000 for assistants in addition to $10,000 for you?

Mr. YOUNG. That is right.

Senator VANDENBERG. Any other changes?

Mr. YOUNG. Yes; they eliminated the organization of a national police force and put in their usual technical adviser.

Senator VANDENBERG. All right. Any other major changes?

Mr. YOUNG. Not that I can recall, sir.

Senator VANDENBERG. And that agreement was made and signed as indicated by the amendments?

Mr. YOUNG. Yes, sir; that was passed by the cabinet.

Senator VANDENBERG. Did you receive the $10,000?

Mr. YOUNG. I have received part of it. My work has not been completed yet.

Senator VANDENBERG. How much work have you done in connection with it?

Mr. YOUNG. I put in about 8 weeks of my own time and my two assistants, the two men who were included on there to assist in the work, have put in, one of them about 8 weeks and the other about 10 or 12 weeks.

Senator VANDENBERG. How much of that time has been spent in Cuba?

Mr. YOUNG. I am speaking primarily of the time spent in Cuba. The majority of it has been spent in Cuba, not all of it.

Mr. RAUSHENBUSH. Of your own time, Mr. Young?

Mr. YOUNG. There have been about 5 or 6 weeks of my own time.

Senator VANDENBERG. You were in Cuba 5 or 6 weeks under this contract, doing this work?

Mr. YOUNG. Yes, sir; and I have made 3 or 4 trips.

Senator VANDENBERG. Now, the gentleman who made this arrangement for you to see the president, out of which this subsequent $10,000 contract came, was Mr. Texidor, as I understand it. Is that correct?

Mr. YOUNG. That is right, sir.

Senator VANDENBERG. I show you the next exhibit, which will be properly marked, dated at Habana, February 12. 1934, being from yourself, Mr. Young, to Mr. Texidor.

(The letter referred to was marked "Exhibit No. 632" and is included in the appendix on p. 1845.)

Senator VANDENBERG. Two days later, according to this exhibit, Mr. Texidor is appointed your exclusive representative in Cuba to handle the sale of your products and equipment. Is that correct?

Mr. YOUNG. That is correct, sir.

Senator VANDENBERG. The next exhibit is submitted for proper identification, being a letter from you, Mr. Young, to Mr. Texidor, dated February 22, 1934.

(The letter referred to was marked "Exhibit No. 633" and is included in the appendix on p. 1845.)

Senator VANDENBERG. The second paragraph of that letter reads as follows [reading]:

> There is still considerable anxiety on the part of the American officials as to the future of Cuba. This anxiety would be greatly lessened by announcement that the program which I have recommended has been officially adopted by the Cuban Government.

To what program does that refer?

Mr. YOUNG. The organization of the police. Instead of having the soldiers shooting their guns—to those who were in Cuba at that time it was customary to go to sleep to the tat-tat-tat of gunfire. Soldiers marching in the street and carrying a gun got itchy fingers, and it had the situation in a very nervous turmoil.

Senator VANDENBERG. And you were recommending what?

Mr. YOUNG. The elimination of the soldiers with guns marching in the streets of the city and the intervention of police properly equipped with tear gas and equipment for controlling the tense situation which they still had at that time.

Senator VANDENBERG. Equipped with your equipment?

Mr. YOUNG. That is right, sir.

Senator VANDENBERG. The next exhibit, which will be properly marked, is a letter to the President of the Republic of Cuba dated March 7, 1934, and signed by Mr. Young.

(The letter referred to was marked "Exhibit No. 634" and is included in the appendix on p. 1846.)

Senator VANDENBERG. That letter is written in Spanish. I am simply interested, for identification, in the third paragraph, which appears to say, I am told, that you were notifying President Mendietta that you were going to bring a man by the name of Alberto B. Moore down, he being chief inspector of the New York State police. Is that correct?

Mr. YOUNG. That was recommending Albert Moore to the Cuban Government. Mr. Moore was asked if he would come down by the Cuban Government through Jefferson Caffery, our Ambassador, who transferred that on to the New York State Governor, and Captain Moore was loaned to the Cuban Government and, I think, spent some 6 or 8 weeks there.

Senator VANDENBERG. And he heartily favored the use of your equipment and the institution of your program?

Mr. YOUNG. He had not much to say about what the program or equipment would be, but was down there conducting a school similar to that adopted by the International Police Chief's Association.

Senator VANDENBERG. As a matter of fact, he was in favor of the use of tear gas in situations such as were there contemplated, was he not?

Mr. Young. Yes; I think that is a matter of record in the New York State police.

Senator Vandenberg. Yes, it is; and it is a matter of record in the next exhibit, which will simply be marked for identification.

(The letter referred to was marked for identification as "Exhibit No. 635" and is on file with the committee.)

Senator Vandenberg. Then I call your attention to the next exhibit, which is a letter from you, Mr. Young, to Mr. Texidor, dated at Habana, Cuba, March 28, 1934.

(The letter referred to was marked "Exhibit No. 636" and is included in the appendix on p. 1847.)

Senator Vandenberg. The opening sentence of that letter reads [reading]:

> I am enclosing herewith payment to the amount of $5,600 advance commission on the order for the Cuban Government, although no letter of credit has yet been opened.

Is not that a little unusual; that is, that sort of an arrangement?

Mr. Young. Mr. Texidor had lost his business under the Machado administration, was in very bad financial condition, and on the signing of the order, after the order was signed, a presidential decree issued, passed by the cabinet, and he asked if he might have that commission advanced, which I did.

Senator Vandenberg. It is an unusual sort of an arrangement, is it not?

Mr. Young. I should say so.

Senator Vandenberg. But was justified by the facts which you have related?

Mr. Young. Yes, sir.

Senator Vandenberg. Please look at the next exhibit, Mr. Young, which is a letter to you from Mr. Texidor, dated in Habana, March 31, 1934.

(The letter referred to was marked "Exhibit No. 637" and is included in the appendix on p. 1848.)

Senator Vandenberg. Now, Mr. Texidor is reporting to you about an article concerning you in El Pais. I apprehend that is an Habana newspaper, is it not?

Mr. Young. That is an Habana newspaper.

Senator Vandenberg. And, after referring to the "sunny, lovable land of a thousand imperfections", says that he is sending "the latest photo of yourself, as sketched by the artist of El Pais", and then there is some personal persiflage; and he drew your attention to his translation of an article from El Pais in the issue of March 29, 1934, headed "Cuba Gives Modest Reward to the Expert Mr. Young, States F. Granero; and His Mission Will Be Exclusively Technical, Concerning Gases and 'Tricks.'"

What does that mean?

Mr. Young. Did you ever hear of jiu jitsu?

Senator Vandenberg. Yes, sir.

Mr. Young. That is what he is referring to.

Senator Vandenberg. I have seen some of it—both mental and physical. [Laughter.]

I am putting the entire exhibit in the record, Mr. Young, because I think it pays you a highly deserved compliment and expresses the great debt of this Cuban Government to you.

The third paragraph reads [reading]:

> Commandant Franco Granero—

Who, by the way, is the commandant?

Mr. YOUNG. He was the assistant chief of the national police.

Senator VANDENBERG (reading):

> Commandant Franco Granero adds that Cuba is rewarding Mr. Young modestly.

What is the reward he is referring to?

Mr. YOUNG. If you know the man, I think you can understand it. Apart from that, I do not think you can.

Senator VANDENBERG. I am afraid I am going to be at a handicap, then.

Mr. YOUNG. He is very verbose in his expressions and loves to talk to the newspapers, and is what I would call "running off at the mouth." When he speaks in his own language, I still include that.

Senator VANDENBERG. When he speaks about rewarding you?

Mr. YOUNG. That is right.

Senator VANDENBERG. Let me read it again [reading]:

> Commandant Franco Granero adds that Cuba is rewarding Mr. Young modestly, when compared with the payments which this expert has received for his service in France, England, and in the United States.

To what does that refer?

Mr. YOUNG. Bless me if I know. I had no services in France or England. I think he was reaching up in the air and pulling that down.

Senator BONE. Have you not reached that place in the munitions business where you are entitled to the Order of the Knights of the Bath?

Mr. YOUNG. Senator, we speak of it as a munitions business. It is almost amusing to see how little business transacted there is which would be called "munitions."

Senator BONE. Machine guns and demolition bombs and fragmentation bombs are munitions of war, are they not?

Mr. YOUNG. There were none shipped to Cuba.

Senator BONE. But you were agent for that and sell it?

Mr. YOUNG. Yes; I sell it; but it was not shipped to Cuba.

Senator VANDENBERG. It is more business with the Government than in munitions, is it not?

The fourth paragraph of this compliment, which you modestly insist is overdone, states [reading]:

> He further adds, with regard to the assistant of Mr. Young, viz: Mr. Moore, that this gentleman——

That is our friend, Mr. Moore, from New York?

Mr. YOUNG. That is right.

Senator VANDENBERG (continuing reading):

> that this gentleman, in addition to assisting Mr. Young, will teach the police the use of "tricks"—that is to say, artifices and cunning ways of easily dominating any disturbers of the public order, without the need of having recourse to violence, which special "tricks" are now being employed by the police of the most important cities of the world.

To what does that refer? Have you any idea?

Mr. YOUNG. That is common police training—how to handle men without splitting their heads open in a brutal manner.

May I add something for the record, Senator?

Senator VANDENBERG. Anything you want to, Mr. Young.

Mr. YOUNG. During the Machado administration it is claimed by the present Government officials, upward of 3,500 people were killed by being shot or put to death in one manner or another, usually in suppressing riots, where they would turn a machine gun right loose on a crowd. I believe since the new Government has come into force in Cuba there have been not more than six or eight deaths which have occurred due to public disturbance. I personally attribute that to the training of the police, the use of common sense instead of lead, and, where they cannot reason with a group, which is hard to do, in that case they can resort to tear gas, and nobody is injured, and they are all over it in a few minutes afterward and back as human beings. They have used tear gas a great deal there many times during the past few months.

Senator VANDENBERG. I agree with you that is a commendable change and an improvement.

Let us go to the next letter, which will be properly marked, and which is a long letter from Mr. Texidor to you, Mr. Young, written at Havana under date of April 4, 1934.

(The letter referred to was marked "Exhibit No. 638", and is included in the appendix on p. 1848.)

Senator VANDENBERG. He is confirming various cablegrams, to begin with, in this letter. First the cable which reads [reading]:

> Telegraph if you have remitted $8,000. If you have not, please write.

Then comes his cablegram to you of April 3 [reading]:

> We positively agreed and it was clearly understood when you left that upon arrival Pittsburgh you would remit me up to $15,000 and that immediately upon $50,000 credit being opened you would increase amount to $25,000. Stop. Have contracted obligations to amount of $15,000 and having received remittance of $2,000 and $5,600 left by you, must urge you cable me balance of $8,000 agreed upon. Stop. * * *

What is the explanation of that situation?

Mr. YOUNG. I do not know whether it is fair to introduce Mr. Texidor's personal affairs into the record.

Senator VANDENBERG. You think it is entirely a personal matter with Mr. Texidor?

Mr. YOUNG. I am quite sure of it, sir.

Senator VANDENBERG. Then I am not interested in it.

Then we will go to the second page, in the third paragraph, where it states [reading]:

> It is of the utmost importance, John, that we work absolutely together, and that particularly at this first beginning, in which we are having so much success, there be no misunderstandings of any kind, as these might prove very dangerous for our future business. I know the situation here and all of the complicated factors involved, and as I explained to you when here, if we want to secure this business we have to "play ball" in accordance with the local circumstances. * * *

What does that mean?

Mr. YOUNG. I do not know, but I know it does not mean what it meant under the old Machado administration.

Senator VANDENBERG. Nothing of the sort which you have previously experienced and in which you previously indulged has obtained under the present government?

Mr. YOUNG. Not with my knowledge, sir. And I might add that both President Mendietta and Martinez Saenz and the leaders are trying very much to run the thing as it ought to be run.

Senator VANDENBERG. From what I know of that, I would like to join you in that testimony.

Now, on page 3, the second paragraph, that letter states:

> I am to have an interview today with your friend (viz, the one from whom you are holding the deposit) and expect to be able to report to you thereafter in a manner that will be very encouraging to both of us.

What does that mean?

Mr. YOUNG. That was Dr. Martinez Saenz.

Senator VANDENBERG. What is the deposit about?

Mr. YOUNG. That is the $30,000 paid against this equipment, which is still up here, and has been a question of disposition, and the Government do not feel that they have use for some of that material.

Senator VANDENBERG. Is the deposit also in status quo?

Mr. YOUNG. Yes.

Senator VANDENBERG. Please look at the next exhibit, Mr. Young, which will be properly numbered. This appears to be a letter from Schneider & Co. at Paris, dated April 6, 1934, addressed to your company.

(The letter referred to was marked "Exhibit No. 639" and is included in the appendix on p. 1850.)

Senator VANDENBERG. That letter reads in part as follows:

> We acknowledge receipt of your telegram of April 4th, asking us for a quotation on furnishing 1,500 complete rounds of 75-mm explosive shells and shrapnel for field artillery.
>
> Before following the matter to conclusion it is necessary, first, to know the country of destination to which these munitions are to be consigned.

Why are you seeking quotations on French munitions?

Mr. YOUNG. There is nobody in the United States who is apparently set up to manufacture ammunition for fieldpieces. Cuba has a number of fieldpieces and no ammunition for them. They have an army. They wanted to buy 1,500 rounds. Not wanting to get into the business ourselves, we inquired of Schneider & Co., who built the guns, if they could supply the ammunition.

Senator VANDENBERG. No such ammunition is available in the United States, you say?

Mr. YOUNG. Not to my knowledge.

Senator VANDENBERG. Have you ever had any business dealings with Schneider & Co.?

Mr. YOUNG. No, sir.

Senator VANDENBERG. The next exhibit will be properly marked, being a telegram of April 18, 1934, bearing upon the cablegram from Mr. Young to Mingtoy.

(The document referred to was marked "Exhibit No. 640" and is included in the appendix on p. 1850.)

Senator VANDENBERG. Who is "Mingtoy"?

Mr. YOUNG. That is Texidor's cable address.

Senator VANDENBERG. That states:

> Depositing fifteen thousand for your account National City New York instruction transfer Havana postal telegraph fees two percent.

That relates to the previous transaction which we described?

Mr. YOUNG. Yes, sir.

Senator VANDENBERG. Please look at the next exhibit, Mr. Young, which is a letter written to you by Alberto Arango Mestre, at Havana, April 23, 1934.

(The letter referred to was marked for identification as "Exhibit No. 641" and is on file with the committee.)

Senator VANDENBERG. Senor Mestre was connected with a well-identified political group in Cuba, was he?

Mr. YOUNG. Arango is the man's name. In Cuba they also use the name of their mother.

Senator VANDENBERG. This is Senor Arango?

Mr. YOUNG. Alberto Arango is the name he goes by, who was an associate of Mr. Texidor, also engaged as an optician, and he got an idea he would like to—I hope this is not published. May I ask that this be kept off the record?

Senator VANDENBERG. It is rather difficult to have testimony which is not in the record, Mr. Young.

Mr. YOUNG. May it be kept confidential?

Senator VANDENBERG. What is the reason that you feel that it should be?

Mr. YOUNG. It was a request from this man to satisfy some political ambitions which he had, which I answered nicely and dropped the matter.

Senator VANDENBERG. I do not think it is necessary to go into it beyond this, because I am not interested in embarrassing anybody down there needlessly. This gentleman seems to think that you have considerable influence with this new administration in Cuba.

Mr. YOUNG. Just where he got that, I do not know.

Senator VANDENBERG. You sort of had an idea that you had a little influence yourself, did you not, after reading what "El Pais" said about you? [Laughter.]

Mr. YOUNG. To meet at the Senate meetings which I had to do at times—and they usually met pretty late at night—and if you are up around the palace, Cubans rather envy you; if you can walk right in without being stopped at the door, because there are so many trying to get in there they get all kinds of ideas of what power you have and what you can do for them.

Senator VANDENBERG. And you can walk right in?

Mr. YOUNG. I did, sir.

Senator VANDENBERG. We will now come down, just because of this scenic effect, to your letter to Mr. Texidor on the date of April 25, 1934, in which you are reporting to Mr. Texidor how you can walk in up here is well as down there.

I will offer this letter as "Exhibit No. 642."

(The letter referred to was marked "Exhibit No. 642" and is included in the appendix on p. 1851.)

Senator VANDENBERG. You say there to Mr. Texidor—

> I went to Washington Monday to delve further into subjects of our mutual interest, but had a great portion of my time taken up by the Department of Justice.
>
> They found out I was in town and drafted me into assisting them in the President's anti-crime-legislation program and I had to accompany the Attorney General to the Ways and Means Committee meeting and the Senate and work on some legislation. From there I was taken to the Department of Justice office for conference on apprehension of Dillinger and his gang, and the last three-quarters of the day was lost insofar as our most interesting subjects were concerned.

What was your connection with the anticrime legislation?

Mr. YOUNG. Well, I was asked about it a number of times and the particular reference given here was to a meeting of a Ways and Means Committee on a bill, which later passed, dealing with firearms.

Senator VANDENBERG. The tax on machine guns?

Mr. YOUNG. That is right, and I was in there to answer questions for the Attorney General.

Senator VANDENBERG. Mr. Cummings?

Mr. YOUNG. Yes, sir.

Senator VANDENBERG. He asked you to go?

Mr. YOUNG. Mr. Keenan did.

Senator VANDENBERG. Mr. Keenan asked you to go.

Mr. YOUNG. Yes, sir.

Senator VANDENBERG. The reference to the Attorney General is to Mr. Keenan, then, rather than to Mr. Cummings?

Mr. YOUNG. That is right; to his office.

Senator VANDENBERG. That would explain why Mr. Cummings fails to recollect his request for your attendance.

Mr. YOUNG. I have been called in there a number of times. I do not know that the Attorney General knew who I was in the committee. They wanted information as to how many guns had been sold and what was being imported and various other things, which information I was endeavoring to give them.

Senator VANDENBERG. Did you also assist the Senate Special Crime Committee in drafting legislation for prohibiting sale in the United States of submachine guns except to governmental units?

Mr. YOUNG. I would say yes to that; at least, I spent a good many hours in gathering data for them.

Senator VANDENBERG. Whom were you dealing with?

Mr. YOUNG. Mr. Keenan.

Senator VANDENBERG. Mr. Keenan was not connected with our committee. Colonel Hutchinson was the executive of our committee, the committee consisting of Senator Copeland, Senator Murphy, and myself.

Mr. YOUNG. I did not meet that committee at all.

Senator VANDENBERG. I thought not; I could not remember it.

Mr. YOUNG. Do I refer to that here?

Senator VANDENBERG. No. I am just asking if you did help, and I understood you to say that you did.

Mr. YOUNG. I think I was behind the scene there, where they called me in without bothering you gentlemen, you were so busy; they were gathering the information and passing it on to you.

The CHAIRMAN. What do you mean, " behind the scene " ?

Mr. YOUNG. I think I was too small to bother your committee.

The CHAIRMAN. It is not the small man who played behind the scene.

Mr. YOUNG. Then we will change that expression to something more suitable.

Senator VANDENBERG. What do you think of the proposals to prohibit the sale of machine guns and submachine guns in the United States to anyone except governmental units?

Mr. YOUNG. I think it is fine. It is practically what we have been doing for three and a half years.

Senator VANDENBERG. You mean your practice has been that?

Mr. YOUNG. Yes, sir.

Senator VANDENBERG. You would favor legislation to that end?

Mr. YOUNG. I did.

Senator VANDENBERG. And do you favor it?

Mr. YOUNG. I still do. May I add, Senator——

Senator VANDENBERG. Yes.

Mr. YOUNG (continuing). That before that bill could pass they offered an agreement, or we offered an agreement, which we were willing to sign at the request of the Attorney General—or, rather, we suggested it and he thought it would be a good thing, and they were so worried about these machine guns that we entered into an agreement embodying that law as it was later passed, to be signed by the President. The agreement supposedly was put on the President's desk, signed by us.

Senator VANDENBERG. I would suggest that you show Mr. Frank Jonas the letter that I now ask the secretary to lay before you. I would like to have him read the second paragraph particularly, with reference to his brother.

(The letter referred to was handed to Mr. Jonas.)

Senator VANDENBERG. I would like to ask if that is a correct statement of your brother's activities. This is not your letter, it is Mr. Texidor's letter.

Mr. JONAS. It is not true, sir.

Senator VANDENBERG. I will not offer it as an exhibit, then.

The next letter that I want to refer to is a letter from you, Mr. Young, to Mr. Texidor. I call your attention to the second page, about the middle of the page, where you say:

> As evidence of this I have just talked with Walter Ryan, President of the Auto Ordnance Corporation, which company owns the Thompson submachine gun. He has promised to send you a cable today advising you that we are the exclusive distributors of this gun and orders from any other people would not be filled. That should stop our friend Richardson.

Who is Richardson?

Mr. YOUNG. He was a competitor.

Senator VANDENBERG. Can you identify him for me?

Mr. YOUNG. He was connected with the Lake Erie Chemical Co.

Senator VANDENBERG. Can you give me his full name?

Mr. YOUNG. I do not know it; I have never met the gentleman.

Senator VANDENBERG (continuing reading):

> Please do not be surprised at the tactics of these people. They have proved that same stunt on a number of police departments in the States.

Mr. YOUNG. Can we eliminate any references like that to competition?

Senator VANDENBERG. Except as they are pertinent.

Mr. YOUNG. It is hardly fair to them.

Senator VANDENBERG. It is hardly fair to them to write it, is it?

Mr. YOUNG. Well, in a sales negotiation—I believe everything that is in there, but just bringing it out in the papers in this country—it might hurt their business and I do not want to do it, if I can help it.

Senator VANDENBERG. The purpose of writing this was to hurt their business, was it not?

Mr. YOUNG. No. There was an understanding that this gentleman was offering the Thompson machine gun for sale. That was my understanding. I was trying to correct that impression, to say that he could not do it. I am not sure that he was. That was the claim that was made down there.

Senator VANDENBERG. I am not interested in your general quarrel with the Lake Erie Chemical Co. and its methods, which you seem to consider fairly reprehensible.

Mr. YOUNG. That is right.

Senator VANDENBERG. But I am interested in this statement:

> You have a copy of their catalog, you tell me, and if you know anything about army ethics, you will know that they are violating mostly everything that is sacred to any army officer when they printed this catalog. Their opening paragraph virtually offers to sell the engineering developments of the United States War Department to any foreign country.

Now, that is a pertinent subject of inquiry. That is a rather serious charge. What does that mean?

Mr. YOUNG. I would prefer, in the matter of these records, to say that it was sales talk, sir.

Senator VANDENBERG. You say that is sales talk.

Mr. YOUNG. Yes. The catalog of that company, I think, will speak for itself.

Senator VANDENBERG. I think that is fair, that the catalog should speak for itself. Was it your opinion that the catalog should be interpreted in this fashion? I am interested only in "virtually offers to sell the engineering developments of the United States War Department to any foreign country"?

Mr. YOUNG. Senator, I am anxious to assist the committee in any way I can about my own business, but I do not want to be put in the position of trying to hurt my competitor's business.

Senator VANDENBERG. I do not want you to, either. I am leaving out most of the things that you said to your agent, which certainly were not calculated to help your competitor in business.

Mr. YOUNG. That is right. We have our sales squabbles, as every company does, I believe.

Senator VANDENBERG. Yes. But you can realize, Mr. Young, that sales talk or any other kind of talk, the committee cannot possibly ignore a suggestion that anybody, whether a competitor of yours or anybody else, is virtually offering to sell the engineering developments of the United States War Department to any foreign country.

Mr. YOUNG. I have since learned that the statement in there, put in apparently by—at least the explanation comes to me—by an advertising man, goes further than the management of that company ever intended it to go.

Senator VANDENBERG. In other words, you think that while this fairly interprets the advertising literature, you have come to the conclusion that the advertising literature does not reflect the policy of the company in that respect?

Mr. YOUNG. It refers to a statement that the United States Government has spent vast sums in developments and that the United States ordnance engineers build according to Government standards. It was an implication like a lot of these exhibits have. After you look at them from the other side you can get quite a different implication.

I believed at that time they certainly had gone a lot further than they should go.

Senator VANDENBERG. Is there a War Department regulation which prohibits the photographing of Army officers in uniform and the reproduction of those pictures in sales catalogs?

Mr. YOUNG. I was told that there was.

Senator VANDENBERG. I feel that is the only thing that is material, inasmuch as this is an investigation into public relations and not an investigation into private methods of sales promotions and otherwise. I will not offer that letter as an exhibit, but will pass to a letter from Martinez Saenz to Mr. John J. Young, which I will offer as "Exhibit No. 643."

(The letter referred to was marked "Exhibit No. 643" and is included in the appendix on p. 1851.)

Senator VANDENBERG. The fourth paragraph of this letter. which has been marked "Exhibit No. 643", and which is dated May 29, 1934, from Habana, is as follows:

> Please let me know by air mail what is your final decision on the matter as I am anxious to reimburse the people that helped me while * * *

What does that previous paragraph refer to?

Mr. YOUNG. It refers to this order amounting to $27,000, of which he has $27,000 against it and whatever I can salvage from that order to be returned to him.

Senator VANDENBERG. What seems to be the dispute between you and Mr. Saenz concerning this?

Mr. YOUNG. There is no dispute.. Martinez Saenz would like to have as much given back as he can and is urging me to try to dispose of his material somewhere else, but they are of a nature that it is hard to do that.

Senator VANDENBERG. What does it mean in a subsequent letter of June 2, 1934, when you say—

> I am not unmindful of my obligation to Martinez Saenz. At the same time I am not unmindful of his obligation to me and he has not cracked through.

I will offer this as "Exhibit No. 644."

(The letter referred to was marked "Exhibit No. 644" and is included in the appendix on p. 1851.)

Mr. YOUNG. My obligation to Martinez Saenz was on this order, as I tell you.

Senator VANDENBERG. And what was his obligation to you upon which he has not cracked through?

Mr. YOUNG. Obligation of his support in my program in Cuba. This letter was incorrect, by the way; there was a payment which was overdue. He was secretary of the treasury. I thought he knew about it and perhaps had been negligent on it. As a matter of fact, he had been away.

Senator VANDENBERG. That is what you mean by "cracked through"?

Mr. YOUNG. That is what I mean, sir.

Senator VANDENBERG. I show you now a letter to Mr. Texidor dated June 21, 1934, which I offer as "Exhibit No. 645."

(The letter referred to was marked "Exhibit No. 645" and is included in the appendix on p. 1852.)

Senator VANDENBERG. This letter indicates that you are sending Mr. Baxter to Habana to continue the training of police.

Mr. YOUNG. That is right.

Senator VANDENBERG. And in the fifth paragraph you are asking that arrangements also be made to permit him to drive over the island and sell equipment to the sugar mills and the industrial concerns while he is there on this other mission?

Mr. YOUNG. That is right, sir.

Senator VANDENBERG. I would like an explanation of the next letter which I show you, which is a letter of June 29, 1934, addressed to Mr. Texidor by you, Mr. Young, which I offer as "Exhibit No. 646."

(The letter referred to was marked "Exhibit No. 646" and is included in the appendix on p. 1852.)

Senator VANDENBERG. This letter reads:

> I am advised that Mario G. Menocal, Jr.——

I assume that he is the son of the former president?

Mr. YOUNG. That is right.

Senator VANDENBERG (reading):

> wrote from Miami to a certain dealer in firearms equipment, stating that his brother had the Ford agency in Habana and that they wished to buy the following equipment for a Ford car in quantities sufficient to equip 60 cars which the Cuban Government were going to purchase in the near future.

He lists equipment consisting of gas riot guns, shells, gas billies, hand grenades, and so forth, and then continues with the letter:

> It appears that they are making an effort to get around us and get in on this business. I am tipping you off immediately as I am sure that you are capable of handling this situation in the manner that will be most valuable to us.
>
> They are certainly a sweet bunch of double-crossers, but it is going to be very hard for them or anybody else to put over a program like this in the United States without Federal Laboratories immediately knowing about it.

To what does that refer?

Mr. YOUNG. I had recommended to the Cuban Government the installation of police radio cruisers, and they got an order for 40 Ford cars on which they made their commission; and when it came around to buying some more cars they thought perhaps they might make some money on the gas also, and, instead of recommending my product, they were going to try to handle everything.

Senator VANDENBERG. And that is the extent of this reference?

Mr. YOUNG. That is right, Senator.

Senator VANDENBERG. Well, it is immaterial.

Now, finally, I show you a letter from Frank to John. That is, Mr. Jonas to Mr. Young, I apprehend? It is from Habana and is dated June 3, 1934, and I offer it as "Exhibit No. 647."

(The letter referred to was marked "Exhibit No. 647" and is included in the appendix on p. 1853.)

Senator VANDENBERG. Mr. Jonas is making certain statements about contributions to the revolution. I would like to know, Mr. Jonas, the source of your information.

Mr. JONAS. That was not a contribution to revolution, Senator. That was some money that this same Texidor owed Remington and did not pay Remington, and I am referring to the fact that he had no right to use that money for revolutionary purposes. He should have paid his debts first. I wrote him that.

Mr. YOUNG. Mr. Texidor claims that he has made contributions, as a Cuban, you understand.

Senator VANDENBERG. Yes.

Mr. YOUNG. He had made contributions to the revolution of that amount.

Mr. JONAS. He also owed the Royal Typewriter Co., I believe.

Senator VANDENBERG. And your notion is that he used the money which was due these other people for the purpose of encouraging the revolution?

Mr. YOUNG. This goes a way back into Mr. Texidor's history. He still owes considerable money to some manufacturers, and he has paid quite a bit of it off. I think Mr. Jonas is referring here to the fact that since it has come out that Mr. Texidor claims he has made contributions to the revolutionary fund back in the early days, before I ever knew him, that it was perhaps unfair that he should not have paid his debts instead of contributing to the revolution.

Mr. JONAS. That was not on ammunition; that was on cash registers.

Senator VANDENBERG. I think that is all I should like to ask this afternoon, Mr. Chairman, so far as I am concerned.

The CHAIRMAN. The committee will take a recess until 10 o'clock tomorrow morning.

(Whereupon at 4:25 p.m., the committee recessed until 10 o'clock on Wednesday, Sept. 19, 1934.)

INVESTIGATION OF MUNITIONS INDUSTRY

WEDNESDAY, SEPTEMBER 19, 1934

United States Senate,
the Munitions Industry,
Special Committee to Investigate
Washington, D.C.

The hearing was resumed at 10 a.m., in room 310, Senate Office Building, pursuant to the taking of recess, Senator Gerald P. Nye presiding.

Present: Senators Nye (chairman), George, Clark, Bone, and Vandenberg.

Present also: Stephen Raushenbush, secretary.

The Chairman. The committee will come to order. Senator Vandenberg, you may proceed.

TESTIMONY OF JOHN W. YOUNG, FRANK SHERIDAN JONAS, AND CARLTON W. RICH—Resumed

METHODS USED IN OBTAINING BUSINESS

Senator Vandenberg. Mr. Chairman, some reference was made yesterday to the Logan Act, and I want to read the Logan Act into the record so that we will understand what we are talking about when we refer to it hereafter. I am reading from title XVIII of the Criminal Code and Criminal Procedure of the Government of the United States, chapter 1, section 5, as amended April 22, 1932, which reads as follows:

> Every citizen of the United States, whether actually resident or abiding within the same, or in any place subject to the jurisdiction thereof, or in any foreign country, who, without the permission or authority of the Government, directly or indirectly, commences or carries on any verbal or written correspondence or intercourse with any foreign government or any officer or agent thereof, with an intent to influence the measures or conduct of any foreign government or of any officer or agent thereof, in relation to any dispute or controversy with the United States, or to defeat the measures of the Government of the United States; and every person being a citizen of or resident within the United States or in any place subject to the jurisdiction thereof, and not duly authorized, who counsels, advises, or assists in any such correspondence with such intent, shall be fined not more than $5,000 and imprisoned not more than three years; but nothing in this section shall be construed to abridge the right of a citizen to apply, himself or his agents, to any foreign government or the agents thereof for redress of any injury which he may have sustained from such government or any of its agents or subjects.

Now, I want to make it plain that I am not attempting to apply this in any specific case whatever, whether it applies in any given instance depending entirely upon the legal interpretation as to whether or not the act of the citizen interferes either with the governmental policy "in relation to any dispute or controversy with the United States"; or whether the action of any such individual tends "to defeat the measures of the Government of the United States."

This letter phrase would certainly seem to cover any violation of an embargo, and it would certainly seem to cover any violation of a Presidential proclamation.

It is a matter of interpretation and construction whether it applies to activities other than those specifically licensed by the State Department in activities relating to governmental policy in other lands.

I wanted to have the record show the act, and for that reason I have had it incorporated in the record.

The CHAIRMAN. Senator Bone, you may proceed.

Senator BONE. Mr. Young, what was the name of your agent in Argentina?

Mr. JONAS. Leon & Bonasegna.

Senator BONE. Is that one name or a firm name?

Mr. JONAS. It is a firm name.

Senator BONE. Will you tell me how you spell that?

Mr. JONAS. It is L-e-o-n & B-o-n-a-s-e-g-n-a.

Senator BONE. They are in Buenos Aires, are they?

Mr. JONAS. Yes.

Senator BONE. Now, your firm from time to time over the past 2 or 3 years has had a course of correspondence with this agent down there?

Mr. YOUNG. Yes, sir.

Senator BONE. I call attention to a letter addressed to the Federal Laboratories, Inc., attention Mr. J. W. Young, dated October 19, 1933, which I offer as an Exhibit.

(The letter referred to was marked "Exhibit No. 648" and is included in the appendix on p. 1854.)

Senator BONE. On page 2, Mr. Bonasegna, who is writing you, has this to say:

> In this airplane business there are a great many people that have to be taken care of besides our contact man, Mr. Gandara, therefore in your reply please tell us what our maximum commission on this business will be in order that we may be guided accordingly.

Is he selling airplanes for your?

Mr. YOUNG. No; he is not.

Senator BONE. What is he referring to there in reference to the airplane business?

Mr. YOUNG. I don't recall.

Senator BONE. Read the letter over.

Mr. YOUNG. He is referring to smoke apparatus on airplanes.

Senator BONE. Who is Mr. Gandara he refers to?

Mr. YOUNG. I don't know.

Senator BONE. He says "our contact man." What does he mean by contact man?

Mr. YOUNG. That I don't know.

Senator BONE. Can you enlighten us at all about the allusions in these letters, because we will have a lot of them to explain as we go along, and I want you to be perfectly frank.

Mr. JONAS. The contact man there, he handles different lines. I think he handles Curtiss-Wright airplanes. I don't know if contact man is the correct name, except he is a salesman.

Senator BONE. He says [reading]:

> There are a great many people that have to be taken care of besides our contact man.

What does he mean by that?

Mr. JONAS. I think he wants to chisel more commission for himself.

The CHAIRMAN. These so-called "contact men" represent other people besides yourself?

Mr. JONAS. Yes; and they are trying to get as much commission as they can for themselves.

Senator BONE. Now, along in August 1932 we find this same firm of Leon & Bonasegna writing you again under date of August 1, and this letter I offer as an Exhibit.

(The letter referred to was marked "Exhibit No. 649" and is included in the appendix on p. 1854.)

Senator BONE. At the bottom of the page in this letter they say [reading]:

> There are many occasions when we are forced by circumstances to pay commission to third parties, which naturally comes out of our commission.

Is that the same thing you have been telling us about, third parties forcing themselves into the picture?

Mr. JONAS. Yes; and in this case Bonasegna particularly has always got a long story to tell you to get as much commission as he can.

Senator BONE. You paid him the commission?

Mr. JONAS. We fight him on that.

Senator BONE. I don't care whether you fight him or not, but do you pay the commission?

Mr. JONAS. No; we do not pay anything but the regular commission.

Senator BONE. The letter then further says:

> and if we are calculating on 25 percent and same is cut to 10 percent, we having compromised ourselves for 10 percent, let us say, it means that we send you the order and make no profit, which not only is unfair but also unprofitable.

You sometimes paid 25 percent?

Mr. JONAS. That is discount.

Senator BONE. Is it commission or discount?

Mr. YOUNG. We paid him as high as 35 percent on some of our products and some down to 10 percent.

Senator BONE. I read further from this letter, as follows:

> Perhaps it will be a surprise for you to know that when the newspapers speak about tear gas they call it "federal gas", and when they talk about the weapons they talk about federal guns.

What guns are they talking about, Mr. Jonas—machine guns?

Mr. JONAS. Gas guns.

Senator BONE. Now, at the bottom of the next page, he says:

> As far as the gas grenades for artillery use are concerned, and about which you ask particulars, we shall no doubt have this information today, and if we see that there is active interest in this material on the part of the Paraguyan Government we will telegraph you the details.

What sort of gas grenades would those be?

Mr. YOUNG. I do not know; we do not have such a thing. It is a terminology on which he must have been confused.

Senator BONE. Now, you continue in the correspondence over that period and prior thereto about the use of gas in the Army and Navy, as well as in the police department?

Mr. YOUNG. Yes, sir.

Senator BONE. Is that the same kind of gas?

Mr. YOUNG. Yes, sir.

Senator BONE. Just ordinary, standard tear gas used in military circles, is it?

Mr. YOUNG. Yes, sir.

Senator BONE. And this sickening gas?

Mr. YOUNG. Yes.

Senator BONE. Nothing added to it?

Mr. YOUNG. No, sir.

Senator BONE. And what is Leon's first name?

Mr. JONAS. Raoul.

Senator BONE. A man who signs himself "Raoul" on the letterhead of Leon & Bonasegna would be Raoul Leon?

Mr. JONAS. Yes.

Senator BONE. On September 22, 1931, he is writing you a letter, which is offered in evidence.

(The letter referred to was marked "Exhibit No. 650" and is included in the appendix on p. 1856.)

Senator BONE. This letter is addressed to you at 312 Broadway, New York, and he is suggesting in the letter that you go to Pittsburgh and discuss a certain matter with Mr. Young and telegraph him the result of your interview. Then at the bottom of page 2 he goes on to say:

> There is just one more matter before closing this letter. I am negotiating with Bolivia and at present have a pro forma order on my desk. I assume it is O.K. for me to work Bolivia, for, as I understand it, you have no connection there.

Was that the case at that time?

Mr. JONAS. We had no agency there at that time, as I recall it.

Senator BONE. Then, the letter continues:

> I have compromised myself, as far as commissions go, opposite my agent in La Paz, who happens to be a personal and intimate friend and who further happens to be a senator in that Republic.

How did he compromise himself with the Bolivian senator?

Mr. JONAS. These agents will make all kinds of claims, being acquainted with the niece of the President or an aunt or sister.

Senator BONE. I understand; but I have not heard you impugn Leon so far in the hearing, and it just occurrs to you now that they were not reliable?

Mr. JONAS. I am not impugning him. They were reliable; they were making those claims for sales talk.

Senator BONE. How do you suppose he compromised himself with this Bolivian senator?

Mr. JONAS. I do not know.

Senator CLARK. Did that arouse any curiosity in your mind when you read that letter?

Mr. JONAS. It is a long time ago, and I have read many letters since that time.

Senator CLARK. It is a sort of custom with them to say those kind of things?

Mr. JONAS. It is customary for agents to make all kinds of claims, Senator.

Senator BONE. He goes on further to say:

> I do not propose writing Mr. Young with respect to the discount; we will merely acknowledge receipt of his letter and tell him that any negotiations with respect to details should be handled by you. It is much easier to do this by word of mouth than writing.

Did you complete any details with respect to this Bolivian senator with Mr. Young?

Mr. JONAS. I do not recall any such thing.

Mr. YOUNG. I am sure that was not discussed, Senator. Furthermore, there was no change in Mr. Leon's commission on that situation.

Senator BONE. I have before me another letter from Leon & Bonasegna dated August 1, 1932, which I offer as an exhibit.

(The letter referred to was marked "Exhibit No. 651" and is included in the appendix on p. 1857.)

Senator BONE. In this letter there is reference made to "Lake Erie"; what is the name of that company?

Mr. YOUNG. Lake Erie Chemical Co.

Senator BONE. Is that its present name—Lake Erie Chemical Co.?

Mr. YOUNG. Yes.

Senator BONE. I call your attention to this letter now, by Mr. Leon to Mr. Jonas, in which he uses this language in the last paragraph on the first page:

> As stated in the letter to the Federal, it is all very well for them to cut down our commission, but how the devil do they know just what our arrangements are here with the bunch of grafters we have to deal with.

Mr. JONAS. Do you want a reply on that?

Senator CLARK. Who signed that letter, Senator Bone?

Senator BONE. That is signed by Mr. Leon.

The CHAIRMAN. What is the date of it?

Senator BONE. It is dated August 1, 1932, written from Buenos Aires.

Mr. JONAS. I think he was just trying to get some commission by using that as an argument.

Senator BONE. Did you think that at the time?

Mr. JONAS. I felt absolutely sure at the time.

Senator BONE. Do you think Mr. Leon and Mr. Bonasegna, his associate, are grafters themselves?

Mr. JONAS. No; they are agents, and they try to get as much as they can.

Senator BONE. Do you think they are treating you squarely or chiseling on you?

Mr. JONAS. I think they are trying to chisel.

Senator BONE. Did you have any inclination to fire them at any time, or have you just now at this hearing discovered they are not altogether what they should be?

Mr. JONAS. No; I am not thinking of firing them, because I would find another agent would probably act the same way.

Senator BONE. You expect that sort of thing all the time; is that your position?

Mr. JONAS. From an agent I kind of expect it.

The CHAIRMAN. It is a kind of epidemic, is it?

Senator Bone. Do you expect that from agents in all countries?

Mr. Jonas. No, sir.

Senator Bone. Just what countries do you expect that from?

Mr. Jonas. Would I be committing myself?

Senator Bone. No; you are here to answer questions.

Mr. Jonas. It is pretty hard for me to tell which countries right now.

Senator Bone. Take this country; would you expect it from Argentina?

Mr. Jonas. No; I would not say that.

Senator Bone. Will you state specifically what you would expect from Argentina?

Mr. Jonas. I was not thinking of any particular country at that time. It has arisen at times, but I cannot point out any particular country.

Senator Bone. Who is Kendrick van Pelt?

Mr. Jonas. He is an American who is an agent there in Brazil.

Senator Bone. One of your agents?

Mr. Jonas. Yes; in a way he is one of my agents.

Senator Bone. Where is he located?

Mr. Jonas. Sao Paulo, Brazil.

Senator Bone. That is where the revolution started?

Mr. Jonas. So I believe.

Senator Bone. Was he your agent in April 1933?

Mr. Jonas. Yes.

Senator Bone. I have here a letter written by Mr. Kendrick van Pelt to yourself under date of April 15, 1933, which is offered as an exhibit.

(The letter referred to was marked "Exhibit No. 652" and is included in the appendix on p. 1859.)

Mr. Jonas. He was not my agent for any arms; he was an agent on general lines. On Federal Laboratories he had some working arrangement where if he sent inquiries we would see what we could do.

Senator Bone. Then he was authorized to sell gas for the Federal Laboratories?

Mr. Jonas. Yes; in Sao Paulo.

Senator Bone. In this letter, "Exhibit No. 652", of date April 15, 1933, we find him addressing you "Dear Frank." You knew him very well?

Mr. Jonas. Yes; I know Mr. van Pelt very well.

Senator Bone. Is he a responsible man?

Mr. Jonas. Yes.

Senator Bone. Very reliable?

Mr. Jonas. He is considered very reliable.

Senator Bone. He says in this letter, "Exhibit No. 652":

> On my recent trip to Rio, I heard that the order for tear-gas bombs had been placed with some competitor through the son of the chief of police here, and that the price had been increased approximately $1,200 as part of the greasing operation.

Mr. Jonas. That letter was written by Bly, a German assistant of his, and I don't know anything about it. I have never heard anything further about that at all.

Senator BONE. Just examine the letter; it is not signed by anyone except Kendrick van Pelt.

Mr. JONAS. I think the original letter, if I recall, was signed by Bly.

Senator BONE. Have you any occasion to believe this letter is not an original letter?

Mr. JONAS. No; I would not say that.

Senator BONE. Then, why do you say someone else signed the letter?

Mr. JONAS. Because, as I recall, it was signed by that man named Bly.

Senator BONE. You have the letter before you now.

Mr. JONAS. I cannot account for what a competitor does.

Senator BONE. That is not my purpose. The letter speaks for itself, and it indicates somebody got $1,200 of grease.

Mr. JONAS. The deal might not have happened, Senator.

Senator BONE. That letter says in a direct assertion that it did happen, and the letter is from your agent.

Mr. JONAS. And this letter tells me what some other fellow does.

Senator BONE. You have just assured us that this agent is a very reliable man.

Mr. JONAS. Yes, sir.

Senator BONE. Do you want us to understand that he is a reliable man?

Mr. JONAS. He is telling us what some other fellow does.

Senator BONE. I want to know whether he is a reliable man.

Mr. JONAS. Yes, he is.

Senator BONE. You would not consider a reliable man one who engages in spreading gossip, would you, and does your firm retain such an agent as that?

Mr. JONAS. Would you ask that question again?

Senator BONE. Does your firm deliberately retain a man down there who misleads you by a false statement?

Mr. JONAS. You get many false statements down there.

Senator BONE. That was my purpose in asking whether this man was reliable or not.

Mr. JONAS. He probably believed it and passed on the information.

Senator BONE. He is not a gossiping old woman?

Mr. JONAS. No, sir; he was not considered as such.

Senator BONE. You have reason to believe the man knows his business?

Mr. JONAS. Yes.

Senator BONE. You do not think he would deliberately peddle gossip, do you?

Mr. JONAS. It is surprising how much gossip you hear in this line. You would think there are millions and millions of dollars of orders, and there is nothing at all.

Senator BONE. And there is millions and millions of dollars of business coming out of there?

Mr. JONAS. Not to me, sir.

Senator BONE. Let us be frank: This record shows lots of business coming out of there?

Mr. JONAS. Yes.

Senator BONE. Millions of dollars of business coming out of South America.

Mr. YOUNG. Let me say our total business over a period of years has not yet reached the million mark.

Senator BONE. How long have you been in business, Mr. Young?

Mr. YOUNG. I have been in business about 12 years.

Senator BONE. When you became adviser of the Cuban Government you were not in a position to complain very much. I am wondering whether from your protestations you feel all of these stories of greasing are untrue.

Mr. YOUNG. No. sir; I do not.

Senator BONE. You feel they are true in part?

Mr. YOUNG. In some instances I believe they are true.

Senator BONE. Do you have any personal first-hand knowledge of a greasing operation, Mr. Jonas.

Mr. JONAS. Well, I pay my agents, and I am not responsible for what they do with the money.

Senator BONE. When you pay an agent, do you call that a greasing operation?

Mr. JONAS. No, sir; not to an agent.

Senator BONE. So that if by any chance you should refer to some action yourself as a greasing operation, that would not be a normal commission?

Mr. RAUSHENBUSH. I think you had better rephrase that, Senator.

Mr. JONAS. I don't understand what you mean.

Senator BONE. Even if you should use the term " greasing " in connection with your own work, that would be entirely divorced from some regular commission operation?

Mr. JONAS. I think greasing means there just what greasing implies up here.

Senator BONE. With that understanding we are going along beautifully. On August 27, 1932, we find you writing to Mr. John W. Young, Federal Laboratories, which letter I offer as an exhibit.

(The letter referred to was marked " Exhibit No. 653 " and is included in the appendix on p. 1859.)

Senator BONE. In this letter, " Exhibit No. 653 ", you are talking to Mr. Young about Mr. Mayrink?

Mr. JONAS. May I read this letter, please?

Senator BONE. Now, I will read you this statement from the letter, as follows:

> For your information, I had to do a little greasing at this end, so it will be necessary to pay me 10 percent on the hand grenades.

In view of your statement of what greasing means, and what we are to understand by it, will you explain what you mean by that?

Mr. JONAS. I probably had to pay part of my commission to Mayrink. I do not recall the incident and do not know whether the order went through.

Senator BONE. Apparently something went through, because you say, addressing Mr. Young, on August 27, 1932:

> For your information, I had to do a little greasing at this end, so it will be necessary to pay me 10 percent on the hand grenades. For your information, I know that they have been quoted elsewhere $1.80.

Now, Mr. Young, what did you do when you were advised your associate had been greasing people down there?

Mr. YOUNG. May I call to your attention that this letter does not say he had to do a little greasing; it says—

> I will have to do a little greasing.

Senator BONE. Did you wire him any protest?

Mr. YOUNG. This is back in 1932, and I do not recall how I communicated with Mr. Jonas.

Senator BONE. Do you recall what your reaction was in this greasing transaction?

Mr. YOUNG. My reactions were no, and I think no order was taken.

Senator BONE. What was your reaction when a greasing operation came to your attention, in connection with your own business?

Mr. YOUNG. My action is to fight it.

The CHAIRMAN. You did not write any longhand letter protesting against it.

Mr. YOUNG. I would not recall, but I know I have protested against it many times.

Mr. RAUSHENBUSH. Will you furnish the committee with your letters of protest, because we did not find them in your files when the investigators went through them?

Mr. YOUNG. I think they are there, and I will be glad to look for them.[1]

Senator BONE. You say nothing was done in connection with this matter?

Mr. YOUNG. I don't recall it.

Senator BONE. Mr. Jonas says in his letter:

> I had to do a little greasing at this end.

Mr. YOUNG. That is not the way this copy of the letter reads here.

Senator BONE. Read it for yourself, then.

Mr. YOUNG. This letter I have reads:

> For your information, I will have to do a little greasing at this end, so it will be necessary to pay me 10 percent on the hand grenades.

Mr. RAUSHENBUSH. That is the way this copy reads—

> I will have to do.

Senator BONE. Which of these copies is correct?

Mr. JONAS. I do not know.

Mr. YOUNG. I think this is correct, because the order did not come through and he did not do the "greasing."

Senator CLARK. Did you pay anybody down there any "grease", Mr. Jonas, if you were to get the order?

Mr. JONAS. This was in New York City, and probably I was trying to do a little "chiseling" on Young.

Senator CLARK. You were doing a little "chiseling" on Young at that time. Is that also an old trade custom?

Mr. JONAS. I have been in the commercial business, up to 1932, in arms and ammunition, and nothing to do with government.

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[1] At the date of publication of this volume the letters of protest had not yet been furnished the committee.

The CHAIRMAN. Sold nothing but arms and ammunition?

Mr. JONAS. Just to sporting stores and the like. It was only after the embargoes started and I could not follow the other line. It is the only line of business I have been in.

The CHAIRMAN. Did these embargoes really seriously impair your business?

Mr. JONAS. Absolutely. It cut us down. Our business was very good with sporting-goods stores. I lost my position with the Winchester Co. then and went into this business.

Senator CLARK. Were you in the habit of "chiseling" on Young?

Mr. RAUSHENBUSH. Mr. Senator, may I suggest a question which I believe will clarify the situation?

Mr. Jonas, the picture you are trying to convey to the committee in the answers to the questions asked of you is this, is it not: Your agents down there are in a competitive situation and you are not in a position where you can tell them to violate what is the customary competitive practice down there?

Mr. JONAS. That is it.

Mr. RAUSHENBUSH. Is that correct?

Mr. JONAS. That is correct.

Senator BONE. Mr. Young, who is Mr. Li?

Mr. YOUNG. He is Chinese. There are two or three Mr. Li's.

Senator BONE. There was some correspondence between Mr. Rich and yourself in March of this year about him, and maybe we can identify him.

On March 3, 1934, Mr. Rich, your associate, writes you in care of Mr. Neufer, American Commercial Attaché at Habana, referring to Mr. Li.

I will offer that letter for the record.

(The letter referred to was marked "Exhibit No. 654" and is included in the appendix on p. 1859.)

Senator BONE (reading):

> While he mentioned no names, he did limber up a little bit more frankly with regard to what he is so pleased to term our "misrepresentation" in China. From what he said there is not the slightest doubt that someone, in misguided enthusiasm and eagerness to make a sale, very undiplomatically offered a bribe to some Chinese official, apparently without having received any indication from said official that any personal remuneration would be acceptable. Mr. Li says that they are very highly incensed over there due to this act on the part of a Federal representative.

Can you enlighten us any further on that incident?

Mr. YOUNG. Yes; we had a very unfortunate experience in China with our representative who did that.

Senator CLARK. Did what?

Senator BONE. Some representative offered a Chinaman a bribe.

Mr. YOUNG. That is, according to Mr. Li's information.

Senator BONE. It was of such importance, apparently, in your interbusiness transactions, that Mr. Rich wrote you about it in New York. What was done about it?

Mr. YOUNG. Mr. Rich was not asking me if he could offer such a thing, but he was reporting that it had previously been done by one of our agents.

Senator BONE. That is right. Do you suppose that offer was made on the theory that it is quite proper to pay commissions in China?

Mr. Young. I have heard it said that it was. We have found, however, that we can do business through Mr. Li's organization without it.

Senator Bone. Who is your agent in Venezuela?

Mr. Jonas. B. de Santa Anna.

Senator Bone. Col. B. de Santa Anna. He has represented other munitions concerns in this country in Venezuela in times past, has he not?

Mr. Young. I presume he is more or less a general merchant in that business down there.

Senator Bone. How long has he represented you?

Mr. Young. He has done no business so that apart from claiming to represent us [conferring with associates].

I beg your pardon, Senator. He did do some business. It was a very small order, but I would say he has been down there endeavoring to fill the capacity for 2 or 3 years.

Senator Bone. Under date of June 14, 1932, from Caracas, Venezuela, he, Col. B. de Santa Anna, writes the Federal Laboratories, attention Mr. Young, in which he asks apparently for quotations on some materials and asked for samples, including riot guns, long-range projectiles, and short-range projectiles (tear gas), and cases for carrying the projectiles, that is, for an order of $1,660.

(The letter referred to was marked "Exhibit No. 655" and is included in the appendix on p. 1861.)

Senator Bone. Then Colonel de Santa Anna goes on to refer to your competitors down in that country, and at the bottom of page 2 states this [reading]:

> * * * I have to give away all my commissions; officially to the Government 50 percent and unofficially the rest.

Officially he gives away 50 percent of his commission to the Government, he says, and unofficially he gives the rest of it away. [Continuing reading:]

> As I have special arrangement with the people here I will ask you not to work directly and to make all your offers through me, as your representative, because you may make some mistake, which will have bad consequence for your future business here.

Is Santa Anna still representing you there?

Mr. Young. Yes; he is.

Senator Bone. Do you have reason to believe, Mr. Young, that he is about as good a representative as you can get down there?

Mr. Young. He seems to be getting all the business for the other firms.

Senator Bone. You are still keeping him, however?

Mr. Young. That is right.

Senator Bone. Do you do business in Costa Rica?

Mr. Jonas. I took an order in Costa Rica.

Senator Bone. However, it is a territory which you have taken over and handle?

Mr. Jonas. Yes, sir.

Senator Bone. Now, Mr. Rich evidently has had some experience in Costa Rica. Have you been down there, Mr. Rich?

Mr. Rich. No; I have not, Senator.

Senator BONE. On July 11, 1934, only a few weeks ago, Mr. Rich writes the Federal Laboratories, Inc., in Pittsburgh, being in New York probably at the time, and I will offer that letter to be appropriately marked.

(The letter referred to was marked "Exhibit No. 656" and is included in the appendix on p. 1862.)

Senator BONE. It is apparent, is it not, that Mr. Jonas had been down in Costa Rica?

Mr. JONAS. Yes, sir.

Senator BONE. Mr. Jonas, you and Mr. Rich operate the New York office in connection with the export end of the Federal Laboratories business, do you not?

Mr. JONAS. For the past year I have been devoting practically all my time to Remington, but if I run across anything for Federal I send it up to Rich.

Senator BONE. In that letter Mr. Rich states [reading]:

> Mr. Jonas had an exceptionally hard time in this, as Huber had just been through all of these territories, and his visits had naturally not done us any good.

Who is Huber?

Mr. JONAS. A competitor.

Senator BONE. With what company?

Mr. JONAS. Lake Erie.

Senator BONE. So that he had been down there before you covering the territory and had not done your firm any good.

Then Mr. Rich goes on to state in this letter [reading]:

> As it will be necessary to take care of a number of people down here, Mr. Jonas made special prices in some of the items, which he asks that you allow * * *.

Whom did you take care of down there, Mr. Jonas?

Mr. JONAS. I did not take care of a soul, sir.

Senator BONE. Was it necessary to take care of anyone?

Mr. JONAS. Just my agent. My agent gets his commission.

Senator BONE. Did you have a number of agents there?

Mr. JONAS. No; I have one agent.

Senator BONE. Mr. Rich, what did you mean when you said:

> It will be necessary to take care of a number of people down there.

Mr. RICH. I did not know who the people were down there, but I supposed possibly our agent down there was working through a third party.

Senator BONE. You say you supposed it would be, but in the letter you say that it will be necessary, and are very definite in the letter

Mr. RICH. That was the impression I had.

Senator BONE. To take care of him in what way?

Mr. RICH. I presume he would have to split his commission with somebody down there.

Senator BONE. Now, who is Mr. Yerex, Mr. Jonas?

Mr. JONAS. Yerex runs an airplane line in Honduras.

Senator BONE. In what?

Mr. JONAS. An airplane line in Honduras, with passenger planes and commercial planes.

Senator BONE. In Honduras. Have you sold any gas products in Honduras?

Mr. Jonas. I think we sold an order 3 or 4 years ago—3 years ago.

Senator Bone. Some machine guns were sold down there?

Mr. Jonas. I took an order recently.

Senator Bone. On July 7, 1933, you were writing to Mr. Young——

Mr. Jonas. 1933?

Senator Bone. July 7, 1933; yes, sir. You were writing to Mr. Young, telling him that you had caught Mr. Yerex just when he was on the point of giving the Lake Erie people an order and was able to convince him that he ought to buy Federal materials.

I will offer that letter for the record.

(The letter referred to was marked "Exhibit No. 657" and is included in the appendix on p. 1863.)

Senator Bone. In the letter to Mr. Young you go on to say, Mr. Jonas [reading]:

> As you know, we have been expecting the bomb business to be controlled by——

Mr. Jonas. May I ask you a favor, that you do not mention names because it might affect the man, and it was a very small business?

Mr. Young. Could we handle that case and leave the name out, Senator?

Senator Bone. How do you expect to do it? Did you ever see a lawsuit tried that way? Did you ever see a man tried for burglary and his name not mentioned to the jury?

Mr. Young. Senator, that is only a request. We believe it would be embarrassing to some people who were innocently brought into the picture.

Senator Bone. Undoubtedly this whole investigation is embarrassing to a lot of people.

The Chairman. The chairman wonders why the names of anyone should be left out of the record because it might be embarrassing to them.

Senator Bone. Here is a sale of machine guns, dynamite, poison gas, and shrapnel all over the world, and the war 15 years away, where 10,000,000 people were shot to death, and do you want us to refrain from mentioning names?

Mr. Young. It is my request and it is up to the Chair to do as you please. I have made my request.

The Chairman. Frankly, gentlemen, is it not a fact that you yourselves look with disfavor upon the methods you do resort to in selling your wares around all over the world?

Mr. Jonas. As I stated before, I have always been in commercial business and I do not like this business.

The Chairman. You do not like this business?

Mr. Jonas. No, sir.

The Chairman. Mr. Young, you cannot say you like this kind of business, can you?

Mr. Young. No, sir; I do not say that.

The Chairman. Why do you do it?

Mr. Young. We got into this at the beginning of the depression, when we felt the slump, like everybody else did. The banks ceased buying protection and were more afraid of their depositors than they were bandits, and we were asked if we would make these bombs.

It offered an opportunity to keep our men employed. That was the beginning of our military business.

The CHAIRMAN. Is it a kind of business that has you liking to go to work every morning?

Mr. YOUNG. No; I should say not.

The CHAIRMAN. Why do you do it?

Mr. YOUNG. We are still in the depression. We hope we are working out of it.

The CHAIRMAN. Are we to understand that the bankers are forcing you to do this kind of business?

Mr. YOUNG. Not at all, sir.

The CHAIRMAN. It is the matter of profit alone which moves you to engage in this sort of business?

Mr. YOUNG. I am in business for profit.

The CHAIRMAN. Certainly. Now here is Mr. Jonas, who has no love for it at all, but he continues and encourages others to continue with him. It was only last December, right after Christmas—I do not know but the holiday spirit may have been upon him—that he was writing, under date of December 27, 1933, to Owen Shannon, of the Curtiss-Wright Aviation Corporation. The writer says that he believes that the Paraguayan and Bolivian fracas appears to be coming to a termination, so that business from that end will probably be finished. [Reading:]

> We are certainly in one hell of a business where a fellow has to wish for trouble so as to make a living, the only consolation being, however, that if we do not get the business, someone else will. It would be a terrible state of affairs for my conscience to start bothering me now.

Mr. JONAS. That is true.

The CHAIRMAN. You were being very frank there, were you not?

Mr. JONAS. That is exactly how I felt about it when I wrote it.

Senator BONE. Have you changed your mind about it?

Mr. JONAS. No; I am hoping that I continue with Remington alone and can handle commercial business.

The CHAIRMAN. What I fail to see is that we should be so careful in this matter, when we are handling the names and activities of those who do engage in this work, which seems to be prompted alone by profit. These men are engaged in this for profit and are dealing without the element of humanitarianism and are dealing in the taking of life.

Senator CLARK. The mandate of the United States Senate to this committee is to present the picture of the munitions trade, and I fail to see how it can be done without revealing names.

Mr. JONAS. The other countries are doing the same thing and are not revealing names.

The CHAIRMAN. The other countries have not tried to reveal the situation.

Senator CLARK. We are showing the skeletons in our own closet, and maybe the same example will be followed by them.

Mr. RAUSHENBUSH. Mr. Jonas, what you are trying to say is specifically, in other words, as I understand it, that you mean England——

Mr. JONAS. England, Czechoslovakia, Denmark—there are several subsidiary companies there, Vickers & Bofors, that are all doing business. I was down in San Salvador and the son of General Mackensen was there.

Mr. RAUSHENBUSH. Of the British Army?

Mr. JONAS. The famous general during the war in Germany.

Mr. RAUSHENBUSH. And all these foreign firms are doing exactly the same thing?

Mr. JONAS. The foreign firms are doing exactly the same thing and making monkeys out of us.

Mr. RAUSHENBUSH. You mean doing more of it than you are doing?

Mr. JONAS. Absolutely.

Mr. YOUNG. Many times more.

Mr. JONAS. And considerably more than we are.

Mr. RAUSHENBUSH. So that you lose business to the European firms because the European firms are doing "greasing", "grafting", or whatever you call it, more effectively?

Mr. JONAS. More effectively because their sales are larger and they send out men of higher standing to do it than the average American representative there.

Mr. RAUSHENBUSH. We had a case previously where in Constantinople they were not only using the whole embassy but loose women. Did you do that in South America?

Mr. JONAS. No; I do not know of any cases like that.

Mr. RAUSHENBUSH. You do not know of any cases like that?

Mr. JONAS. No, sir.

Mr. RAUSHENBUSH. How did they do it? Just money?

Mr. JONAS. Just money and the size of their business, and spending more time there. The representative of a foreign firm will be there 4 or 5 months. My trips are for a week or 10 days and I get in there and get out, because I devote most of my time to the commercial end.

Mr. RAUSHENBUSH. Could you put it this way: These foreign firms create a situation so that the American firms desiring to compete with them must do those things?

Mr. JONAS. Undoubtedly.

The CHAIRMAN. You mean by that, if you did not do these things you could not get the business at all?

Mr. JONAS. You could not get the business at all.

The CHAIRMAN. But somebody else would, because they are willing to do that?

Mr. JONAS. Yes, sir.

Senator BONE. You understand, Mr. Young and Mr. Jonas, that we are not trying to pillory you.

Mr. YOUNG. We are trying to help you, Senator.

Mr. JONAS. The Government buys a great many other things besides guns and ammunition, and I am afraid it would affect our general business with governments if any name is disclosed, because ammunition is only a part of the purchases.

Mr. RAUSHENBUSH. You mean, Mr. Jonas, that the munitions business can ruin the rest of the business of the country by simply doing things which, if exposed, would ruin it?

Mr. JONAS. Absolutely.

Mr. Raushenbush. That is, the munitions business is doing things which, if exposed, would ruin the rest of the business?

Mr. Jonas. Absolutely.

Senator Bone. Do you think that if a newspaper in Buenos Aires or in Rio de Janeiro published a story of racketeering in Chicago that the people of Chicago would be so incensed against the Argentinians that they would want to cut off their relations with them?

Mr. Jonas. I do not think so.

Senator Bone. Probably big newspapers in every civilized country in the world carried the story about Al Capone and racketeering in Chicago, Mr. Jonas, and about gun fights and booze racketeers.

Mr. Jonas. And it is surprising how much criticism Chicago has received abroad.

Senator Bone. Yes, sir, which cuts Chicago off from the rest of the country, from the rest of the world.

The Chairman. Are you arguing, Mr. Jonas——

Mr. Jonas (interposing). I am not arguing at all, sir.

The Chairman (continuing): That we ought not to make public the facts regarding Capone? Do you think that ought to have been treated quietly and secretly, behind closed doors, so that the rest of the world would not know what was going on?

Mr. Jonas. No; but I hope you do not classify us as Capones.

The Chairman. You should not draw the conclusion that I was. You surely do not feel that because the record has left a bad impression for Chicago, all over the world, that it ought to have been treated more quietly, do you?

Mr. Jonas. No, sir, Senator; you are right.

Mr. Rich. Senator, may I take the liberty of remarking in that connection?

The Chairman. I would be glad if you would.

Mr. Rich. In one case we are dealing with governments and in the other case we are dealing with gangsters, who are not part of our Government, and we are just as anxious to get rid of them, more anxious, than anybody else.

Senator Bone. How are you dealing with a government in dealing with some individual who is doing the work?

Mr. Rich. If he is the only authorized agent of that government.

Senator Bone. Would you think it a good idea to suppress the fact that a man in high service, like his government's service, could get away with things that are wrong? Do you think that that tends to improve government service or make governments more popular?

Mr. Rich. No; certainly not, Mr. Senator. I believe Mr. Young's idea was to suppress the name, if possible, to prevent any reaction on that particular individual.

Mr. Raushenbush. Capone only got away with it for so long because he had control over minor officials, police court judges, and so forth, did he not?

Mr. Young. Senator, I think we are getting a long way from the subject. As I said before, we are leaving it entirely up to you on the matter.

Senator Bone. You understand we are not trying to single you out, Mr. Young, but we have this controversy every time any specific name is brought into this inquiry.

Getting back to this letter, you were expecting to do some business here through Mr. Yerex, and you had been expecting the business to be controlled by some public official down there?

Mr. Jonas. That is what I had been informed.

Senator Bone. And this got switched from the public official's hands into the hands of Yerex?

Mr. Jonas. Yes, sir.

Senator Bone. Who stated that the Government had to have all the discounts. What did Yerex mean by that?

Mr. Jonas. He meant he wanted to quote them a net price.

Senator Bone. A net price?

Mr. Jonas. Yes, sir; which I was delighted to do.

Senator Bone (reading):

> Lake Erie had quoted $27.40 and in that price had a little over $300 allowance for Yerex.

What was that? His commission?

Mr. Jonas. I presume they were acting on the same basis to the Government, allowing them the same discount. That meant the discount.

Senator Bone. Yerex was running an airplane line?

Mr. Jonas. Yes, sir.

Senator Bone. Is he a private citizen?

Mr. Jonas. Yerex is an Australian or New Zealander, living there now.

Senator Bone. But he was cutting in on one of the orders through the Lake Erie outfit?

Mr. Jonas. No, sir; he was not cutting in on anything, but sent up here to make some purchases and buying it and trying to get as much discount as he could.

Senator Bone. What is this reference to a little over $300, if the Lake Erie deal went through?

Mr. Jonas. Yerex was telling me that, and I presume that was for the Government.

Senator Bone. This is your letter?

Mr. Jonas. Yes, sir.

Senator Bone. That is your language?

Mr. Jonas. Yes, sir.

Senator Bone. You say [reading]:

> It is too bad that the switch took place at the last moment, cutting out Galiano and Izaguirre.

Who is the man who was cut out?

Mr. Jonas. That is the same man you referred to.

Senator Bone (reading):

> Yerex has authorized me to pay to Izaguirre the $305.60 difference between the selling price and our list, less 20 percent and 2 percent. Just as I started to write this letter I got a long-distance call from Izaguirre, who had, of course, already been informed by Yerex, and I confirmed it and told him that I would give him personal check just as soon as I was informed that the money is available at the Baltic Shipping Company.

Who were the Baltic Shipping Co.? Are they shipping agents?

Mr. Jonas. No, sir; they are people doing business and also handling agencies.

Senator BONE. You say here:

> Yerex has authorized me to pay Izaguirre the $305.60 difference * * *.

How could a private airplane man authorize you to pay a man $300?

Mr. JONAS. That was a 2-percent cash discount, I think. I do not recall the exact details.

Senator BONE. Did you pay that to the official or the Government?

Mr. YOUNG. Senator, I might add that that was paid to that man. The whole matter was unfortunate, the way it was started out, with another party not mentioned in this correspondence, a commercial man, I believe, here in this country who called me on the long-distance phone and said he could fill this order and would I protect him with a commission. I did not know what our relationship was or what our agencies were until I communicated to Mr. Jonas, and indirectly promised him; but I said I thought I could protect him for perhaps 10 or 15 percent, depending on what the conditions were.

We have to do business quite frequently with people who are not our regularly appointed agents over a period of time.

Senator BONE. Just look at the next page of that letter, in the last sentence, where it states:

> I will therefore pay Izaguirre $314.24.

Mr. YOUNG. That was paid to him.

Senator BONE. That was paid to him?

Mr. YOUNG. He was promised that when he came to Pittsburgh, because we assumed at first that he was the man to whom I had been talking on the phone, and the man, of course, went ahead and took it. We thought we were making a commercial arrangement, and I was embarrassed afterward when I found out he was a public man.

Senator BONE. He was a public official of Honduras?

Mr. YOUNG. That is right.

Senator BONE. And he got this cut on the side on this order?

Mr. YOUNG. That is right.

Senator BONE. Mr. Young, in connection with this reference to Honduras, and public officials there getting some money, the committee have thought it desirable to make some general statements about the South American situation which seems to have occasioned some discussion in the public prints. I am going to make this statement to you, because your business has to do with Latin-America and because I think it is time that we should clear up one or two misapprehensions.

We want the citizens of South America to understand that it affords no pleasure to this committee to force out the truth concerning all these transactions of North American companies. The methods which the arms makers and arms sellers use to promote high-price hostilities may easily become a menace to the peace of nations in every part of the world.

We have made an honest effort to get at the facts, and we have spared no American company which has indicted itself from its own records. We have not spared European makers or sellers where the truth available to us involved them.

We ask the citizens of South America to understand that peace can only come with complete frankness. It cannot be bought by hiding, deceiving, and concealing. To show that officials of a company have used weak men is not an indictment of a people, any more than an exposé of the racketeering of an Al Capone is an indictment of the people of Chicago.

The Senate committee is not investigating the morals of a nation—it is getting at specific facts in connection with certain deals in the private munitions business.

I hope and confidently expect that those European countries which are not already dominated by the munitions makers and sellers will start similar investigations shortly.

When our investigation, and those in other countries which we hope will follow, is finished, I believe that every mother in this world will breathe more easily. I think I speak for the committee in saying that it desires above all other things to spare the coming generation of boys the horrors of another great war.

Mr. Young. Senator, may I add that I would like very much to see that thing come about and made universal.

Senator Bone. What do you mean by "that thing"?

Mr. Young. That program of controlling armaments throughout the world.

Senator Bone. I think people in their hearts instinctively share that view with you, Mr. Young. But there is a very strong profit motive which has been reflected in this inquiry in the statement, "Well, as long as the business is there and others are doing it, I am going to do it."

The committee can appreciate that viewpoint. They are not savage toward those men for feeling that way, and they fully realize the practical aspects of this whole matter.

On the other hand, there seems to be a grim determination in certain quarters to stifle this sort of an inquiry, because it is hurting business, because it interferes with private profits. Those who are exponents of that viewpoint are forgetful of the fact, apparently, that if this continues and the world continues to arm, and if international bitterness continues to be fomented, our civilization itself may be imperiled.

Do you share the viewpoint that our civilization may be imperiled by another great war?

Mr. Young. I think it would be set back terribly if we had another World War like we had.

Senator Bone. That is a rather vague expression. What do you mean by "set back"? If you set back the civilization, you have wounded it grievously, have you not?

Mr. Young. Terribly.

Senator Bone. You have jeopardized and threatened and perhaps terribly injured those institutions that are very important to the welfare of society.

Mr. Young. You mean I have done that?

Senator Bone. No; but if a war accomplishes that, it has grievously wounded the very things that make our civilization well worth while, has it not?

Mr. Young. That is right.

Senator Bone. Do you believe that every effort should be made to get at the causes of war and to remove them?

Mr. Young. Yes; I do.

Senator BONE. Do you think that can be accomplished except by publicity of the facts?

Mr. YOUNG. I have no objection to publicity of the facts except as it might hurt the relationships with other governments; and that is your matter, that is not mine.

Senator BONE. Of course, I do not suppose any government wants any unpleasant things revealed about any of its nationals. That is true, just as the people of the United States are not proud of Al Capone or of Sam Insull.

Mr. YOUNG. Foreign governments will have protection; they must have it, whether they make it themselves or purchase it.

Senator BONE. Do you think the people of this country have a right to protest if British newspapers say that Sam Insull took shameless advantage of innocent investors? What would be our moral right to complain against a newspaper in London, for instance, saying that Sam Insull and his associates shamelessly bled those people; or that Al Capone was a crook? Where would the moral right on our part come in to be outraged by such a statement?

Mr. YOUNG. Senator, I am not disputing that point at all.

Senator BONE. No; but that is the point that is being made by business men. We might just as well say that British newspapers are hurting business in this country by printing the facts that Chicago has an Al Capone and another racketeer by the name of Insull and that they are working both sides of the street over here; because that is what they did. Al Capone worked one side and Sammy Insull the other, and they did a good job, Capone cleaning up the underworld and Insull cleaning up the upper world.

Do you think the people of this country would have any just right to complain because of the fact that British newspapers referred to that, facetiously or otherwise?

Mr. YOUNG. I am not disputing that at all, Senator.

Senator BONE. We are getting dangerously near the real heart of this thing. You say that these foreign countries do not like the facts known that somebody was greased or took some money. Do you think that the rank and file of the honest, hard working, decent citizens of those countries resent that, or is it just some officials?

If you were an honest citizen of any country, without naming it, and it was shown that some official of that country had taken graft, would that outrage your feeling?

Mr. YOUNG. Yes.

Senator BONE. You think it would? Does it outrage your feelings to have someone advise you that a citizen of this country is a grafter, if it can be proved? You do not want to be put in a position here of saying that you would be outraged at an exposure of graft and corruption, do you, Mr. Young? Certainly you are not a type of business man that believes that it is wrong to expose graft and corruption.

Mr. YOUNG. No; I am not.

Senator BONE. I am wondering why you say that you would resent the facts of graft and corruption becoming known.

Mr. YOUNG. I did not ask you not to expose it. I quickly retracted what I did say, and said do just as the committee felt was wise.

Senator Bone. Are you a close friend of Major Porter, of the Chemical Warfare Service?

Mr. Young. A very intimate friend, sir.

Senator Bone. Is there anything between you to indicate that gifts at Christmas time would be other than purely on a friendship basis?

Mr. Young. Nothing, Senator.

Senator Bone. You sell your gas to the Pennsylvania State Police Department, do you not?

Mr. Young. We do.

Senator Bone. Major Adams, of the Pennsylvania State Police, is known to you, is he not?

Mr. Young. Yes.

Senator Bone. Writing to Mr. Diehl at Harrisburg, Pa., on May 26, 1932, you make certain suggestions, and I will offer this letter as "Exhibit No. 658."

(The letter referred to was marked "Exhibit No. 658" and is included in the appendix on p. 1863.)

Senator Bone. You suggest in this letter that—

> the last time when the bids were equal, he gave the business to our competitors out of Cleveland, Ohio.

Then you say:

> This time he has written specifications around competitors' product, and we know it is going to take something more than usual to crack him loose.

Was he trying to exclude you from that field?

Mr. Young. I think he was, sir. I would like to add, it is my impression that Major Adams and our competitor are personal friends, and there was no reflection whatever on Major Adams. I was trying also to find some personal friends of his.

Mr. Raushenbush. Mr. Young, when you say—

> This time he has written specifications around competitors' product—

is not that a very definite accusation of something more than personal friendship?

Mr. Young. That is generally done when a department head wants to buy something; he writes the specifications around the product which he likes best and puts behind it "or equal."

Mr. Raushenbush. You mean that is a customary practice in Pennsylvania?

Mr. Young. That is a customary practice in most police departments, I believe; in most municipalities.

Mr. Raushenbush. Then there really is not any competitive bidding at all?

Mr. Young. Yes; there is competitive bidding. You can come in as equal. He has to describe some product when asking for bids, so that the bidders will know what he wants.

Mr. Raushenbush. Except that when it is drawn around a competitor's product it is more difficult for you to meet.

Mr. Young. In this case it was not.

Mr. Raushenbush. You could meet it?

Mr. Young. Yes, sir.

Mr. Raushenbush. Did you get the business?

Mr. Young. I would not know whether we got the business on this order or not. We did get an order after that, sometime. It was gotten because we were the manufacturer within the State and other things were equal.

Senator Clark. They sometimes go to the extent of drawing specifications that contain a patented feature or something of that sort, so that nobody else can get the business.

Mr. Young. In this case the products were both made under the same patent licenses.

Senator Clark. But I say, that is the practice in some cases—to draw specifications containing a patented feature or some other feature that a competitor cannot meet at all; is that not true?

Mr. Young. Well——

Senator Bone. That is done; yes.

Mr. Young. Well, I presume it is.

Senator Bone. Who is Roy G. Bostwick?

Mr. Young. One of my directors.

Senator Bone. I offer as an exhibit a Western Union wire of April 17, 1933, as " Exhibit No. 659."

(The telegram referred to was marked " Exhibit No. 659 " and is included in the appendix on p. 1864.)

Senator Bone. This reads:

> Have wired Brandt, Coyne, and Mansfield * * *

Who are they?

Mr. Young. They were senators, sir.

Senator Bone. State senators of Pennsylvania?

Mr. Young. Yes.

Senator Bone (reading):

> Whom do you have on the ground in Harrisburg and how can I reach him?
>
> Roy G. Bostwick.

That was during a legislative session?

Mr. Young. Yes, sir.

Senator Bone. What were you and Bostwick doing with these State senators?

Mr. Young. There was a bill before the senate which would prohibit the use of tear gas within the State, forcing us to move our factory out of the State, virtually putting us out of business.

Mr. Raushenbush. Mr. Young, it was a bill providing for permits before chemical processes could be distributed, and imposing duties on the Pennsylvania State police; that is what the bill was, is it not?

Mr. Young. The bill has a clause in it—I do not know whether I could put my finger on it in a hurry or not—but the bill has a clause in it which would have forced us to move out of the State.

Senator Bone. At the same time that you were contacting these senators you were also contacting Mr. Spann, who was a Republican leader in the house, according to a Postal Telegraph wire. Was this bill killed?

Mr. Young. I believe it did not pass, sir.

Senator Bone. What if anything did your organization do in the campaign against this bill?

Mr. Young. Precisely what you see there. We requested those senators and others that we could reach—we informed them that the facts of this bill would move our plant from the State and deprive about 60 employees of work.

Senator BONE. Mr. Casey, of the du Pont Co., sustained rather pleasant relations with you, did he not?

Mr. YOUNG. He is a personal friend of mine, sir.

Senator BONE. Is Mr. W. A. Grove a friend of yours?

Mr. YOUNG. Yes, sir.

Senator BONE. Is he on your board?

Mr. YOUNG. Yes, sir; he is a director.

Senator BONE. Of your company?

Mr. YOUNG. Yes, sir.

Senator BONE. He is also chairman of the Railway Audit & Supply Co. of Pennsylvania?

Mr. YOUNG. I believe so.

Senator BONE. What is that organization?

Mr. YOUNG. I do not know, except that they engage in auditing, I think, on railroad bills.

Senator BONE. The Railway Audit & Supply Co. furnishes under-cover workers for employers in strike troubles, does it not?

Mr. YOUNG. I think that is done through another organization.

Senator BONE. Is not that done through that organization?

Mr. YOUNG. Not to my knowledge.

Senator BONE. You say not to your knowledge?

Mr. YOUNG. I think there is an association known as the "Central Industrial Service" that may do that.

Senator BONE. I am going to read to you a short extract from a volume put out by the American Academy of Political and Social Science on private police methods, by Shaloo:

> Practically all private detective agencies do or will furnish operatives for the exclusive purpose of discovering the thoughts, plans, and aims of employees, with special emphasis on "radicals" and labor organizers. The exact number of dismissals resulting from the operatives' report that the radical or organizer is "inefficient" cannot be known. It is extremely difficult to learn the true character of workmen in a railroad shop or a steel mill, but the literature suggests a condition not unlike the system of Abdul-Hamid II.
>
> To secure the services of these "eyes, ears, and noses" the management of the corporation needs merely to communicate his requirements to such agencies as the Railway Audit & Inspection Co. * * *

That is the company of your friend, Mr. Grove?

Mr. YOUNG. I would say so.

Senator BONE (continuing reading):

> The Thiel Service, the William J. Burns International Detective Agency, or Pinkertons National Detective Agency, and literally thousands of less well-known agencies stand ready to furnish informers, and by common consent the character of inside operatives varies with the reputation of the agency. This much may be confidently asserted: The labor spy, from whatever agency, is regarded, even by the company employing him, as one of the lowest forms of human life, from the moral standpoint.
>
> Generally speaking, the operative secures employment in the regular way; that is, by applying to the employment bureau of the industrial establishment and taking his chances. In some cases "recommendation" may be made by the general manager. When he has finally found employment, his chief task is to keep his eyes and ears open and his mouth shut, except when sympathy and encouragement are necessary to secure information concerning labor's movements and plans. If he is seeking information with reference to shortages, as in a ticket office of a railroad, his technique, obviously, is largely silent observation. Reports are sent to the agency at the close of each day. At the agency the report is "edited" and polished, always leaving a suggestion that valuable information is undoubtedly about to be secured. This assures continuous employment. If the employing company contemplates aban-

> doning the "service", valuable "information" is discovered immediately. Most of the information, on the word of employers, is worthless.
>
> The report is a masterpiece of secrecy. The operative uses a number, and this may be frequently changed, always in the interest of efficiency. A mass of meaningless phrases, symbols, code numbers, letters, and signs are used. The report must be mailed from a place distant from the operation. Telephone calls to the agency must come from the next town. Secret mail boxes, under various names, are the destination of the reports. Special watermarked paper is often used so that any interception with attendant substitution is at once detected. Two operatives must never be seen together. Operatives must room alone when possible, and should not have too much money. They should join in the plans of labor, but not too violently. The final victory is to become secretary of the local, so that documents can be obtained. To achieve this nonpareil treachery requires long experience and ethical nearsightedness. However, the ethics is subordinate to the legality.

There is also a quotation on page 183 of this volume which says:

> Bribing labor leaders and placing them on the pay roll of the agency, thus weakening the union and securing additional good sources of information. Hundreds of leaders of unions have been "approached" by agencies, and many of them, all too willing to be corrupted, have been easily persuaded to take on this extra work for the employing class. * * * A dozen officials of local unions in Akron, Ohio, were discovered to be on the staff of the Corporation Auxiliary Co. a few years ago. And Robert Beattie, vice president of the Stationary Firemen's International Union and secretary of the Pittsburgh Central Labor Union, was shown to be a spy for the Railway Audit & Inspection Co.

So Mr. Groves, a member of your board, is a chairman of a board of a company that supplies undercover operators in labor disputes, along with his other work. Is there any question about that in your mind?

Mr. YOUNG. I have no relationship whatsoever through that, Senator.

Senator BONE. I am not asking you either to defend or to criticize him for it. I am just getting at the facts.

Now, on May 19, 1933, there is a letter from Mr. Frank S. Jonas to Mr. John W. Young, which I offer as "Exhibit No. 660."

(The letter referred to was marked "Exhibit No. 660" and is included in the appendix on p. 1864.)

Senator BONE. Mr. Jonas in this letter states:

> Commander Strong today called on the telephone and told me that you should not have written to the State Department requesting that he inspect the bombs for Honduras.

First, let us find out who Commander Strong was. Was he the man whom the United States Navy had loaned to Colombia as an adviser?

Mr. YOUNG. I believe he is, sir.

Senator BONE. That is what our records indicate. Mr. Jonas, what did Commander Strong tell you about this? What did he say about this indiscreet letter which you wrote to the Department about this Honduras business?

Mr. YOUNG. Might I explain that, Senator?

Senator BONE. Yes.

Mr. YOUNG. I never wrote to the State Department. There was a misunderstanding about that. The Honduras Government asked whom they might have to inspect their bombs. I told them that Colombia had a man by the name of Strong inspecting them. Mr. Jonas misconstrued the fact and concluded that I had referred the matter to the State Department.

Senator BONE. Let us leave that part of it and continue with his letter. It reads:

> He will, however, be pleased to make an inspection for you privately but does not want it to be known publicly.

Why was that, Mr. Jonas? Why was this lieutenant commander of the United States Navy willing to make a private inspection but not a public inspection of these bombs?

Mr. Jonas wrote the letter, and I would like to have his explanation of it.

Mr. JONAS. That is what he told me.

Senator CLARK. Is he still in the Navy?

Senator BONE. I understand he is.

Senator CLARK. What is the date of the letter you have been reading, Senator?

Mr. RAUSHENBUSH. May 19, 1933.

Senator BONE. We will come to that a little later.

You had some relations and dealings with Lieutenant Commander Strong, who was in South America?

Mr. JONAS. No, sir; he was here in New York. He was adviser for the Colombian Government.

Senator BONE. He was adviser for the Colombian Government?

Mr. JONAS. Yes, sir.

Senator BONE. Loaned to them by the United States Navy?

Senator CLARK. Did he make this private inspection?

Mr. YOUNG. No; he did not.

Senator BONE. On October 20, 1932, Mr. Young, you wrote to James H. Strong, lieutenant commander, United States Navy, a letter which I offer as "Exhibit No. 661."

(The letter referred to was marked "Exhibit No. 661" and is included in the appendix on p. 1864.)

Senator BONE. You say in this letter:

> I am very definitely counting on you to line us up for some additional business. I expect to be in New York the latter part of next week myself, and I would like to see you while there.

Was Commander Strong tied in with you in the lining up of business for you?

Mr. YOUNG. I had hoped that he would be. It did not turn out that way.

Senator BONE. You say here, "I am very definitely counting on you to line us up for some additional business."

Mr. YOUNG. That is right.

Senator BONE. You evidently had had some very close relations with him prior to that?

Mr. YOUNG. Yes; I had some relations with him.

Senator BONE. As that time was Commander Strong engaged in this work of advising the Colombian Government?

Mr. YOUNG. To refer back to dates, I do not know, but about that time I think there was some work going on that he was doing for the Colombian Government.

Senator BONE. How could a lieutenant commander in the United States Navy be lining up business for a private firm? Was he receiving a commission?

Mr. YOUNG. Yes; Lieutenant Commander Strong received a commission from us.

Senator CLARK. How much of a commission did you pay him?

Mr. YOUNG. We paid him two or three times; I do not recall the exact amount.

Senator CLARK. On what basis?

Mr. YOUNG. What did you say?

Senator CLARK. On what basis? Was it a flat commission or a percentage?

Mr. YOUNG. We paid him a 5 percent commission on an order for some gas. We paid him a commission that amounted to $180. Then we paid him $175 on some work that he did for us in the way of a technical service.

Senator CLARK. Where were those orders from?

Mr. YOUNG. They were from the Colombian Government.

Senator CLARK. From the Colombian Government?

Mr. YOUNG. Yes.

Senator CLARK. And that was during the time when he had been loaned by the United States to the Colombian Government and while he was an officer in the United States Navy.

Mr. YOUNG. I do not know those periods, sir.

Senator CLARK. You are not certain about the dates. You still considered him a naval officer, did you not?

Mr. YOUNG. No; I did not consider him a naval officer. When I was introduced to Commander Strong I did not know what his position was. It was not as commander. He was Mr. Strong, in civilian clothes.

Senator BONE. But you are addressing him here as Lieutenant Commander Strong.

Mr. YOUNG. I learned that afterward.

Senator BONE. You learned it by the time you wrote this letter and made this suggestion?

Mr. YOUNG. That is right, sir.

Senator CLARK. You did not know whether you were paying him a commission as an officer of the United States Navy or as a purchasing agent for the Colombian Government?

Mr. YOUNG. I paid him a commission, not as a purchasing agent of the Colombian Government, but because he was associated with the Colombian Government.

Senator CLARK. He was associated with the Colombian Government at the time you paid him a commission?

Mr. YOUNG. That is right.

Senator CLARK. Do you know when Commander Strong resigned from the Navy?

Mr. YOUNG. I do not, sir.

Senator CLARK. What is the date of that letter on which you addressed him as Lieutenant Commander Strong, Senator?

Senator BONE. October 20, 1932.

Senator CLARK. Was it prior to that time or after that time that you paid him a commission?

Mr. YOUNG. I paid him another amount of $250 for some technical work he did on our bombs.

Senator CLARK. Was that after or before October 1932, Mr. Young?

Mr. YOUNG. I think that was after, sir.

Senator **Bone**. You still maintain a very great deal of interest in Lieutenant Commander Strong, for again on May 15, 1933, there is another letter which I should like to refer to.

The **Chairman**. If you will permit me to interrupt at this point, Senator, Commander Strong was in the Navy at the time referred to in this letter, was he not?

Mr. **Young**. That I did not know, sir.

Senator **Clark**. You addressed him as lieutenant commander, United States Navy.

The **Chairman**. He did not resign until February 19, 1934.

Mr. **Young**. I think in all of my correspondence I addressed him that way, right straight through.

Senator **Clark**. What is the date, Mr. Chairman?

The **Chairman**. February 19, 1934, he resigned.

Senator **Clark**. So that at the time that Federal Laboratories was paying Commander Strong he was not only an officer in the United States Navy but he had been loaned in a fiduciary capacity to the Colombian Government?

The **Chairman**. By our Government.

Senator **Clark**. By our Government; yes.

Senator **Bone**. You still retained your business connections and your relations with Commander Strong. for on May 15, 1933, I find that you are writing him again, which letter I offer as "Exhibit No. 662."

(The letter referred to was marked "Exhibit No. 662" and is included in the appendix on p. 1865.)

Senator **Bone**. You say in this letter:

> Saturday I had the pleasure of talking to Mr. Carlos Izaguirre, charge of affairs, Legation of Honduras, Washington, D.C., who is interested in purchasing 300 30-pound fragmentation bombs, and who would like to have an inspector act for him to ascertain that the bombs are built to specifications.

Mr. **Young**. This is the letter that we referred to previously, Senator.

Senator **Bone**. This refers back to that letter concerning that suggested inspection?

Mr. **Young**. That is right.

Senator **Bone**. At the bottom of the letter you will notice a postscript which reads:

> Dear Commander: This customer will be buying some other equipment when he comes to Pittsburgh the end of the week. I understood from our last conversation that you were interested in securing a job such as this.

What sort of a job was that, an inspection job?

Mr. **Young**. Acting as general inspector.

Senator **Bone**. What work did you do, Mr. Young, here in Washington to suggest either the propriety of certain legislation or the desirability of killing certain types of legislation?

Mr. **Young**. Before we leave Commander Strong, may I make a statement in that regard?

Senator **Bone**. Yes.

Mr. **Young**. Commander Strong was paid at his request for commissions on one order and for work which he did. The entire payment was on two very small orders, but we did over $200,000 worth of business with the Colombian Government in which Commander Strong did not figure at all, but on which he was inspector. That, I believe, throws some light on the fact it was not a general program of trying to buy Commander Strong. The commander felt he was entitled to the payment he received, and it was made at his request.

Senator Clark. The essential fact is not how much he received, or how many orders, but the fact that is essential is that a United States naval officer loaned to the Colombian Government in a fiduciary capacity was taking payments at all.

INTEREST OF THE FEDERAL LABORATORIES IN NATIONAL LEGISLATION

Senator Bone. What sort of activities have you or any or your organization engaged in here in shaping national legislation?

Mr. Young. It is very little, except on two bills. I do not recall the numbers of them, but one was for tear gas, which I think was aimed to stop the manufacture of tear gas, and I think the other was on the Thompson machine guns and all kinds of firearms, which passed in the last Congress.

Senator Clark. The last session of the present Congress?

Mr. Young. That is right.

Senator Bone. Were you opposed to that firearms bill?

Mr. Young. I was sponsoring it; I was very much in favor of it.

Senator Bone. Some of this legislation was designed to prevent the use of tear gas against labor demonstrations.

Mr. Young. Yes, sir. I am not opposed to legislation on tear gas, but I am interested in how it affects us, and the use and the sale of it.

The Chairman. Relative to your interest and your sponsoring of the firearms bill considered by the last session of this Congress, did you have no interest that was of a selfish order in that legislation?

Mr. Young. I had a combined selfish and patriotic interest in it. I was interested in stopping the importation of foreign-made submachine guns. On the other hand, I was interested in the other phase of the legislation. There have been a hundred of those guns brought from abroad so far this year, and there is apparently no control of it.

Senator Bone. How are they shipped in?

Mr. Young. They are shipped in as small firearms.

Senator Bone. To whom?

Mr. Young. To the B. & T. Munitions Co.

Senator Bone. What are they, what sort of an outfit are they?

Mr. Young. It is an outfit who is endeavoring to market them throughout the country.

Senator Clark. What does B. & T. stand for?

Mr. Young. It is a partnership arrangement owned by Captain Tauscher and Colonel De Bobula.

Senator Bone. Where are they located, New York City?

Mr. Young. Yes, sir.

The Chairman. Do they manufacture any parts of that gun?

Mr. Young. No; not to my knowledge.

Senator Clark. What kind of a gun is it?

Mr. Young. It is a German gun, I think, known as "Schmeisser gun."

Senator CLARK. That is a competitor of the Thompson submachine gun?

Mr. YOUNG. Yes, sir.

Senator BONE. Is that gun controlled by anybody?

Mr. YOUNG. I think they could answer that, if anybody could, but there is no evidence it can be controlled like the Thompson gun has been controlled for the past 3 years.

Senator BONE. How is the Thompson gun controlled?

Mr. YOUNG. No gun of the Thompson manufacture is sold to other than law-enforcing bodies or by their approval.

Senator BONE. Is that a regulation of the company?

Mr. YOUNG. That was a regulation of the company originally followed, and the Department of Justice investigation proved that for the past three and a half years such has been the case.

Senator BONE. Then where do all of these Thompson machine guns come from?

Mr. YOUNG. Prior to that they had been sold to dealers, jobbers, and sporting goods houses. A number of them had gotten into the hands of the underworld, and it will take some time to have them all gathered up. Also, there have been a few raids made on police departments.

Senator CLARK. That was some of those sporting guns we have heard about from time to time?

Mr. YOUNG. No; that is not what I am talking about.

Senator CLARK. I understand what you are talking about.

Mr. YOUNG. Formerly it was common practice for all types of guns to be sold through the hardware stores, 5 or 10 years ago, and I think you are familiar with that. The company voluntarily stated we will take this gun off the market and will sell it only to law-enforcement bodies, and for three and a half years that policy has been religiously followed.

The CHAIRMAN. Your interest in this firearms bill was not occasioned by any domestic competition?

Mr. YOUNG. No; that competition had not arisen. It was just coming out at that time and has developed, I think, since.

The CHAIRMAN. In April 1934, you were very active in support of this legislation, were you not?

Mr. YOUNG. Yes; I was.

The CHAIRMAN. Didn't you have any domestic competition at that time?

Mr. YOUNG. No, sir.

The CHAIRMAN. What is the meaning of this statement, which you make on April 28, 1934, to Mr. W. B. Ryan, president of the Auto-Ordnance Corporation, in which you told him of a very interesting activity at the Bureau of Investigation in Washington, and then you say:

> We are arranging to conduct another school for all of their men in the various cities.

Mr. YOUNG. To my knowledge that gun had not yet been on the market?

The CHAIRMAN. Your knowledge at the time was it is now being made?

Mr. Young. I had rumors they were making a gun to be marketed in New York.

The Chairman. Let this letter to which reference has been made be marked as an Exhibit.

(The letter referred to was marked "Exhibit No. 663" and is included in the appendix on p. 1865.)

Senator Clark. What gun was that you heard they were making to be marketed in New York?

Mr. Young. I didn't know the gun had ever come out.

Mr. Raushenbush. What name is it known by?

Mr. Young. I cannot recall the name of the gun.

Senator Clark. Is that the Hyde gun?

Mr. Young. Hyde; that is the name.

Senator George. Who was making the gun?

Mr. Young. I don't know who was making it, although I tried hard to locate the origin of the gun, and I could not do so at the time.

Senator George. Was it the B. & T. you referred to?

Mr. Young. No; they were importing a German gun known as the "Schmeiser."

Senator George. Did they also import tear gas?

Mr. Young. No, sir; they were making some tear gas.

Senator George. Who is the "T" in that firm, did you say?

Mr. Young. That is Captain Tauscher.

Senator George. Was he associated with Count von Papen and Count von Bernstorff?

Mr. Young. I have never met Captain Tauscher and don't know him. The most I know is what was printed in the New York Times.

Senator George. Did you understand that he was associated with Von Papen and Von Bernstorff?

Mr. Young. Only what I read in the papers.

Senator George. That was his reputation and the newspaper story?

Mr. Young. Yes, sir.

Senator Clark. He was expelled from this country by President Wilson in 1916 as a German agent, in connection with the Boy-Ed and Von Papen affairs?

Mr. Young. I do not know.

Mr. Raushenbush. The captain, according to reliable information, was an accredited representative of the German legation here before the war—not a representative without credit.

Senator Bone. Then he came back after the war, according to this, and imported machine guns that were freely sold. Is that correct?

Mr. Young. I do not know whether they were freely sold or not. He has a hundred of them on hand in New York, so I am told.

Senator Bone. There is a restriction on the sale of those guns now?

Mr. Young. Yes; he will have to conform to the new law now, but prior to that he could have sold to anybody he pleased, and such sales would reflect on the industry.

Mr. Raushenbush. To get the picture at this time, that runs through the correspondence, you were worried about your competitor getting hold of a machine gun they could market, and the one you referred to as being made in New York, the Hyde gun, was the one under discussion by your competitor, was it not?

Mr. Young. I believe so.

Senator BONE. I want to call your attention to a letter written by you, Mr. Young, to your agents, Leon & Bonasegna, dated March 18, 1932, which letter is offered in evidence.

(The letter referred to was marked " Exhibit No. 664 " and is included in the appendix on p. 1866.)

Senator BONE. In this letter you refer to the use of tear gas against labor demonstrations, and what not, and I direct your attention to the fourth paragraph, containing three lines, because a little while ago you and Mr. Jonas were suggesting that sometimes your South American agents were irresponsible, and I asked you if these agents were reliable, and you assured me they were responsible agents, and then you say in this paragraph:

> We have the highest regard for your ability, and I sincerely trust you will be able in the next three or four months to secure some business to pay you for your efforts.

Did you mean that?

Mr. YOUNG. I said it, and I presume I meant it.

Senator BONE. Is your word good?

Mr. YOUNG. Yes.

Senator BONE. Going to the second page in the last paragraph, this is what you say to this firm, your agent, after having written a rather gossipy letter about riot guns and what not, then using this language:

> I am quite sure this present crisis, while it has brought a shortage of funds, has brought an acute demand for our products, which puts us in the preferred class, and we should impress upon the public officials that they should spend money for the purchase of tear-gas equipment, even when they cannot afford to pay salaries.

What funds were you referring to?

Mr. YOUNG. Public funds to purchase equipment.

Senator BONE. Why would there be an acute demand for your products accompanied by this lack of funds there?

Mr. YOUNG. I think it is well known that in prosperous times you do not have trouble with riots that you do in time of adversity.

Senator BONE. What did you mean by " preferred class "; did you mean a preferred class of business?

Mr. YOUNG. Exactly; and we say further down that they should spend money for the purchase of tear-gas equipment even when they cannot afford to pay salaries.

Senator BONE. You say in this letter—

> and we should impress upon the public officials—

Is that what you are doing in Pennsylvania and down here in this campaign against tear-gas legislation? Well, to go on with the letter, you continue—

> We should impress upon the public officials that they should spend money for the purchase of tear-gas equipment, even when they cannot afford to pay salaries.

Do you believe that?

Mr. YOUNG. There have been a number of police departments where they were unable to pay full salaries to the policemen, and conditions were such in their towns that if they had not purchased tear gas it would have been terrible. May I cite one case?

Senator Bone. Yes.

Mr. Young. Last week down in North Carolina at Honeycutt, they had not the proper equipment; they had not purchased tear gas because they did not feel they could afford it, but in the emergency, when it came, they employed 200 deputies made up of the citizenry of the town, and endeavored to stop a riot and killed seven people. In a condition like that the leaders of that town would be very much justified in spending two or three hundred dollars for tear gas. Then their little force of two or three policemen could have handled the situation without killing anybody.

Senator Bone. We are glad to get all of the facts we can on this and get your views on the proper way to handle these disturbances.

Let us go to another letter I want to introduce as "Exhibit No. 665", the letter being dated October 15, 1932, addressed to Kendrick van Pelt.

(The letter referred to was marked "Exhibit No. 665" and is included in the appendix on p. 1866.)

RELATIONS WITH SOUTH AMERICAN COUNTRIES

Senator Bone. Kendrick van Pelt was your agent down in São Paulo, Brazil?

Mr. Jonas. Yes, sir.

Senator Bone. You are writing this letter to Mr. Van Pelt, and the letter reads:

> My Dear Van: I sent you a cable this week and expected an answer, as I thought there might be something I could attend to for you up here.
>
> The unsettled conditions in South America has been a great thing for me, as I sold a large order for bombs to Brazil and also a fair cartridge order. I also sold very large bomb orders for Colombia, Peru, Ecuador, Bolivia, and now have made up all my losses, and I am back on my feet. It is an ill wind that does not blow someone some good.

Is that true, Mr. Jonas, you have stepped up your business?

Mr. Jonas. I had received an order and expressed myself in that way.

Senator Bone. And you said you have made up all of your losses and that you are now back on your feet.

Mr. Jonas. It is just a way of expressing myself. I exaggerated.

Senator Bone. That is one of the pictures we want to give the whole world, that a business gets back on its feet when it sells large orders of bombs that are used to kill people.

The Chairman. Not a very quaint expression, however.

Senator Bone. I am quoting you, Mr. Jonas, that your business had been going down and they had not been buying demolition bombs, and then all of a sudden you sold a large bomb order to three or four of these governments, and the ill wind quit blowing.

Now, we come to a letter dated May 2, 1932, addressed by yourself to Leon & Bonasegna, which I offer in evidence.

(The letter referred to was marked "Exhibit No. 666" and is included in the appendix on p. 1867.)

Senator Bone. Mr. Jonas, calling attention to the last paragraph of this letter, it reads:

> Rio Grande do Sul recently purchased a million cartridges 7 mm, and I was wondering if there was a revolutionary movement in view.

What do you say about that?

Mr. Jonas. Rio Grande do Sul is located in southern Brazil, and they make a lot of their purchases there.

Senator Bone. Is that a State?

Mr. Jonas. Yes; that is a State in Brazil.

Senator Bone. I read further from the letter as follows:

> At times like that they generally make purchases through Buenos Aires agents, so it might be advisable for you to investigate and see if you can connect with the right parties, as you might be able to interest them in the Thompson gun. This gun is known in Rio Grande and has been used with success at various times.

That was the Thompson machine gun?

Mr. Jonas. Yes, sir.

Senator Bone. In August 1933 you wrote a letter to Mr. Gordon Pickerell, the letter being dated August 21, 1933, and I offer the same in evidence.

(The letter referred to was marked "Exhibit No. 667" and is included in the appendix on p. 1867.)

Senator Bone. Mr. Gordon Pickerell is a friend of yours?

Mr. Jonas. Yes; he is a friend of mine.

Senator Bone. Of Pickerell & Co. What is that firm?

Mr. Jonas. It is an American agency in Para, Brazil.

Senator Bone. What does it sell down there?

Mr. Jonas. I think they sell Ford cars and various other agencies.

Senator Bone. American products?

Mr. Jonas. Yes, sir.

Senator Bone. Let us read this letter, as follows:

> My Dear Gordon: Your letter of August 12th reached me this morning, and while I would like very much to transact the business you propose, owing to the severe regulations at this end, it is too risky a proposition.

Mr. Pickerell you evidently knew very well?

Mr. Jonas. Yes.

Senator Bone. What was he proposing?

Mr. Jonas. He said he wanted to buy some machine guns. Personally may I express an opinion?

Senator Bone. Yes.

Mr. Jonas. I do not believe he knows anything about that business, and he was trying to give me the information that he knew of some business. I don't think he knew what it was all about.

Senator Bone. You say in this letter:

> You see, it is absolutely necessary that we make a sworn declaration specifying the party and the country to which the material is being sent, and I cannot afford to take the chance, especially since I specialize in armament.
>
> I am sending you under separate cover catalogs of the Thompson submachine gun, which I am sure is the gun that you require.

Did he send you information of his requirements?

Mr. Jonas. No; he did not. He said a machine gun, and I said if he had a license I would try to sell him the Thompson gun.

Senator Bone. Then comes a postcript, in which you say:

> There is a man here in New York that might be able to do this business. but not with the Thompson gun. He could supply Lewis 30.06 Government machine guns and the Colt Browning 30.06 rifle. He asked $300 for the Lewis gun and $300 for the Colt Browning rifles. New 30.06 ammunition in quantities of 100,000 will cost $40 per thousand.

This man was asking for quotations on cartridges in 100,000 lots, so it would not be so small a lot.

Mr. JONAS. I do not know whether he mentioned any lot. A man came in the office the day previous and said he had some guns which he could ship from Belgium, and I thought of that and gave this information. The thing was never consummated and I never heard from Pickerell again on it.

Senator CLARK. Who was the man who walked in the office?

Mr. JONAS. A fellow by the name of Brown, I think it was.

Senator BONE. He must have been interested in sizeable lots when you sent down quotations on thousands.

Mr. JONAS. You can hear more stories down there; you will hear of a fellow wanting to buy 10 guns, and by nighttime it is a hundred thousand guns.

Senator BONE. It is some kind of a sizeable lot where he takes cartridges in lots of 100,000.

Mr. JONAS. Absolutely.

Senator BONE. Let us go on with the letter which continues reading as follows:

> If this type of gun would interest yo,u I will be able to handle it for you, through this man. However, it will be on a cash basis, as this is the only way this business can be handled.

That must have been revolutionary business.

Mr. JONAS. No; I couldn't say.

Senator BONE. Then, what kind of business was it that was being done on a cash basis?

Mr. JONAS. All munitions business is generally on a cash basis.

The CHAIRMAN. Mr. Young, what is your annual volume of business in the Federal Laboratories?

Mr. YOUNG. I believe I can give that to you. We did, I think, a little short of half a million dollars last year.

The CHAIRMAN. 1933?

Mr. YOUNG. Yes; and $395,000, from memory, in 1932.

The CHAIRMAN. What part of that total last year was domestic and what part of it foreign?

Mr. YOUNG. Last year, I think, the majority of it was domestic—always the majority has been domestic.

The CHAIRMAN. Is it a pretty even division?

Mr. YOUNG. I would hazard a guess about 60 percent domestic and about 40 percent foreign.

Mr. RAUSHENBUSH. You testified last year and this year it was about 50–50.

Mr. YOUNG. Yes; for this year.

Senator BONE. Now, Mr. Jonas, you state, when I read from this letter, that "it will be on a cash basis", that it was an ordinary transaction and you had to have cash on the drumhead?

Mr. JONAS. Any of that business, you want cash.

Senator BONE. So that it could not have had any connection with any revolutionary movement?

Mr. JONAS. No; the Pickerell letter said it was, and I said I would not handle it.

Senator BONE. I asked you if it was, and I thought you said it was not.

Mr. JONAS. No; I did not mean to answer that way.

Senator BONE. The letter I have read to you is dated August 21, 1933, and was addressed to Mr. Gordon Pickerell, and that letter was in answer to a letter which he had written you on August 14, 1933, a week before?

Mr. JONAS. Yes.

Senator BONE. I offer this letter of Pickerell to Mr. Jonas, dated August 14, as the next exhibit.

(The letter referred to was marked "Exhibit No. 668" and is included in the appendix on p. 1868.)

Senator BONE. In that letter he says to you:

> Hope this reaches you, as there may be some money in it for you and me. The revolutionary govt. here is organizing a secret society for their own protection and want machine guns, portable machine guns—like rifles and ammunition. Money they have and can arrange the necessary credits. The necessary contraband here can also be arranged as long as they come invoiced as machine parts.

What contraband was he talking about?

Mr. JONAS. Evidently. if I consummated the order with him. I have never shipped anything without State Department license.

Senator BONE. You know this whole South American picture; what did he mean by "necessary contraband"?

Mr. JONAS. He wanted to know if I could get that in by contraband, and I told him that it could not be done.

Senator BONE. You said in your letter to him there is a man here in New York that might be able to do this business?

Mr. JONAS. Who might be able to do it, but I did not know whether he could or not. This man said he could; and if he had a license from the State Department, he could; otherwise he could not handle it.

Senator CLARK. Does the letter say anything about a license?

Mr. JONAS. No; but that is the way I do my business. I would not take a chance on anything unless I had a State Department license.

Senator CLARK. Here is a letter from Pickerell in which he says this thing can be gotten in by contraband, if it is labeled "machine parts", and you apparently wrote back and said that you were in a position to handle the business.

Mr. JONAS. Yes; but referring to machine guns and not referring to machine parts.

Senator CLARK. He is talking about machine guns, too, and says they can be shipped in as machine parts.

Senator BONE. Let us read this over. On August 14, he wrote and said they have got the money, and the necessary contraband can also be arranged as long as they come invoiced as machine parts. So apparently he had the whole thing fixed up and then he said:

> So the rest is up to you, and as I am not sure of your address, I am sending this to 21 West St. If you will air mail me as to your possibility of getting the above articles and prices I can do the rest.

And then the letter further proceeds:

> Later on they are going to need machine guns and ammunition—officially—and we will get the order as they have written Germany about this business. I hope you will give me a quick answer one way or another. In short the first lot will be secret, the second, official.

Then, a week later comes your letter, and you tell him that owing to the severe regulations here in New York it is too risky, but you add a postscript in which you tell him there is a man here in New York that might be able to do this business, but not with the Thompson gun, and that he could supply the Lewis and the Browning gun. You describe it as the Lewis 30.06 Government machine gun. What government is that?

Mr. Jonas. That is the caliber.

Senator Bone. It says "Government" machine gun; are they the type used by the Army?

Senator Clark. The Government has used some Lewis guns.

Senator Bone. And then you go on to say to him that he asks $300 for the Lewis gun and $300 for the Colt Browning rifles, and that the 30.06 ammunition in quantities of 100,000 will cost $40 per thousand.

Then, following that, you say to him:

> I will be able to handle it for you, through this man. However, it will be on a cash basis, as this is the only way this business can be handled.

Read the letter and tell me if I am wrong.

Mr. Jonas. I never heard from Pickerell again about this thing to this day.

Senator Bone. That is not the point; you offered to do it.

Mr. Jonas. I would not have entered into any contract on that business.

Senator Clark. According to your own statement you were not willing to ship yourself because it was too risky, but you were willing to act as this man's agent in securing the contraband.

Mr. Jonas. I did offer to act as broker in the case; you are right.

Mr. Raushenbush. Who was the man?

Mr. Jonas. I think it was Brown; Silas Brown, or some such name.

Senator Clark. This letter has been read twice to you, and you say in so many words you will not handle it yourself because it is too risky a proposition, and then in the postscript you say if he wants to deal with the fellow that had the Lewis and the Browning guns, you will handle it for him as his agent. Is that not correct?

Mr. Jonas. I said that, sir.

Senator Clark. And you meant it when you said it?

Mr. Jonas. I don't know that I did.

Senator Clark. You are just writing these letters to pass the time away?

Mr. Jonas. No, sir; I am afraid of business like that. Pickerell is an old friend of mine and I wrote him along those lines. I really did not expect to hear from Pickerell again, because he is not in that business.

Senator Clark. You did say in the postscript you were perfectly willing to handle it provided it was cash, and that seemed to be the only thing worrying you.

Mr. Raushenbush. Mr. Jonas, in that connection, did any European commercial people ship any munitions during that revolution?

Mr. Jonas. Thre was no revolution at that time.

Mr. Raushenbush. Brazil was having three or four revolutions during those times, was it not?

Mr. JONAS. I do not know. Brazil is a country as big as the United States.

Mr. RAUSHENBUSH. Brazil did get a great deal of munitions from foreign countries?

Mr. JONAS. They got most of their munitions from foreign countries.

Mr. RAUSHENBUSH. You do not know where they got them at the time of the revolution?

Mr. JONAS. No, sir. I never heard of any shipped then.

Senator BONE. You were contacting other firms selling material, and among the agents which you contacted was Mr. Shannon of Curtiss-Wright?

Mr. JONAS. Yes, sir.

Senator BONE. And he was in New York on June 14, 1932, when the letter was written. You suggest in this letter that you are proposing to the Winchester Co. to let you fly down to Brazil.

Mr. JONAS. Is that to Mr. Young or Mr. Shannon?

Senator BONE. There is just a reference to Mr. Shannon in the letter. You are writing to Mr. Young making a sort of general report, in which you say you are suggesting that the Winchester Co. let you fly down there and attempt to take on some business for them.

Mr. RAUSHENBUSH. Do you offer that letter, Senator?

Senator BONE. I do not think it is important.

I want to call your attention to a letter dated August 1, 1932, written by Leon & Bonasegna, agents in Buenos Aires, to the Federal Laboratories. That may be appropriately numbered as an exhibit.

(The letter referred to was marked "Exhibit No. 669" and is included in the appendix on p. 1868.)

Senator BONE. I particularly direct Mr. Young's attention to the second page of that letter, where there are certain observations made.

Mr. YOUNG. Senator, may I refer back, without reflection on the Pickerell correspondence, as this seems to be an investigation in which the Federal Laboratories are investigated, and Federal Laboratories had no knowledge, and it was not our business. I think we are on record that there were no guns, Thompson guns, considered.

May I have your question now?

Senator BONE. I direct your attention to the paragraph which is slightly below the center of the page, and which reads as follows:

> Regarding Bolivia and Paraguay. As far as Bolivia is concerned, we are daily awaiting advices from our agent in La Paz, giving us some definite reply in connection with the business we have pending with that Government.

Can you tell us what business you had pending in La Paz?

Mr. YOUNG. I presume we had considerable. We did considerable business with them.

Senator BONE. It states that it is "pending with that Government." What was it? Bombs or what?

Mr. YOUNG. It was bombs.

Senator BONE. Demolition and fragmentation bombs?

Mr. YOUNG. Yes, sir.

Senator BONE. The letter states further [reading]:

> Immediately on receipt of his reply, which we expect to be in the affirmative, we will, as promised in one of our letters to him, take the first train for La

Paz and see if we can finally close this business, which should amount to something. If anything should develop within the very near future, we would naturally immediately telegraph you, telling you just what the situation is.
As far as Paraguay is concerned—

Was that during the Chaco trouble? They had been carrying on a battle down there over the Chaco country.

Mr. Young. I do not know how the dates check.

Senator Bone (continuing reading):

> we are in daily touch with the military attaché of this city for that country, and we expect some time between today and tomorrow to have some news from him; in fact, the writer has an appointment with the attaché for this afternoon, and it is possible we may supplement this letter in the event of his having tangible news which may be of interest to you.

So that it is apparent that at that time your agents down there were endeavoring to make sales to both Paraguay and Bolivia. That is the point in this letter, is it not?

Mr. Young. We did not discriminate.

Senator Bone. You did not discriminate. You explained that very fully in your statement yesterday, so that I will not go further into that.

Now, directing your attention to another letter written by these same agents, Leon & Bonasegna, of Buenos Aires, to you, under date of July 26, 1932. Mr. Leon, who writes this letter for the firm, has this to say in the second paragraph [reading]:

> As stated in one of our previous communications, we have been very diligently following the question of the material you manufacture with the following Governments: Chile, Peru, Bolivia, Paraguay, and Uruguay—

You were having contractual relations with all those countries?

Mr. Young. All Latin American countries.

Senator Bone. I will proceed with the letter [reading]:

> and while we cannot expect, nor do we expect, more on account of the deplorable financial conditions of these countries to get immediate results, still the fact remains that there is a live interest, and we are keeping after the heads of these Governments (through intermediaries whose influence counts for something, of course), to the best of our ability.

(The letter referred to was marked "Exhibit No. 670" and is included in the appendix on p. 1869.)

Senator Bone. In other words, to use your own language, in the letter your own agents state that there was a deplorable financial condition, and still, according to Mr. Leon, your agents were—

> keeping after the heads of these Governments * * * whose influence counts for something—

in order to get contracts with them, despite their deplorable financial condition. You always sought, of course, to have someone who had influence in those countries. That is correct, is it not?

Mr. Young. Yes, surely.

Senator Bone. And you wanted political influence because that is the only thing which counted. That is correct, is it not?

Mr. Young. I am merely taking the statement of a salesman here. He does not say "political" influence.

Senator Bone. But you are taking the word of a man concerning whom you said some very splendid things, in a letter written about this time; that is, that he had very good ability. Did you mean that?

Mr. YOUNG. He has been a very good producer.

Senator BONE. Leaving that aside, you said that you had a very high regard for him, did you not?

Mr. YOUNG. As a producer.

Senator BONE. As a producer. Exidently, the man knows what he is talking about. Despite the financial conditions, which are deplorable in all the South American governments, your agent says that he is—

> keeping after all the heads of these governments (through intermediaries whose influence counts for something, of course) to the best of our ability.

The letter continues [reading]:

> Through the medium of your local press you are acquainted no doubt with the bellicose conditions which exist between Bolivia and Paraguay on account of limits of territory in dispute.

So that evidently the Chaco dispute was in full swing in July 1932 at the time that this letter was written, and also the one discussed a moment ago—the letter bearing date of August 1, 1932. [Continuing reading:]

> For the last year or more there has been a guerilla warfare going on in the Paraguayan Chaco, which is causing great anxiety to both Governments, neither of whom openly declare war, but guerilla warfare seems to be going on indefinitely. Last week the Bolivians and the Paraguayans were in trouble again, and the general opinion in these countries was that a declaration of war was imminent.

Then he goes on to state [reading]:

> Taking advantage of this state of affairs, the writer has insistently pushed both the Bolivian and Paraguayan Governments—

What did you understand him to mean by "pushing" them? For orders?

Mr. YOUNG. Yes, sir; I would.

Senator BONE. Now, again, on August 11, 1932, very shortly after the time of the letter which I have just read, Mr. Jonas writes to Leon & Bonasegna in Buenos Aires from New York. I will offer that letter to be appropriately numbered.

(The letter referred to was marked "Exhibit No. 671" and is included in the appendix on p. 1870.)

Senator BONE. Mr. Jonas has this to say in that letter [reading]:

> Your letter addressed to Federal Laboratories dated July 26th—

The one I have just read—

> with reference to the Paraguay and Bolivia situation was forwarded to me for attention.

In other words, when your firm got the letter they sent it over to you, Mr. Jonas, for attention.

I will go on with the letter [reading]:

> I immediately took a plane to Washington and visited both the Paraguay and Bolivia Legations. Unfortunately for us, however, it looks as if the trouble they are having is going to be settled amicably.

[Laughter.]

I do not know that we need any comment on that. That seems too plain for dispute, but let us get the picture a little more plainly in the record.

This letter was addressed to the Federal Laboratories, that is, to Mr. Young, dated July 26, where he speaks of the trouble between Bolivia and Paraguay.

Let me read part of that again [reading]:

> Your letter addressed to Federal Laboratories, dated July 26, with reference to the Paraguay and Bolivia situation was forwarded to me for attention.

That is, forwarded to you by the Federal Laboratories for attention. So that Mr. Young, having confidence in you, sent it over for your attention, and you write Mr. Leon and tell him [reading]:

> Unfortunately, for us, however, it looks as if the trouble they are having is going to be settled amicably.

That is signed by Mr. Jonas.

Mr. RAUSHENBUSH. For Mr. Jonas, it might be said that he is unfortunately an intellectually honest man.

Senator BONE. We are not trying to pillory Mr. Jonas, but trying to paint a picture of the munitions business. If all of us can look at this in an impersonal way and in a sort of abstract fashion, we will all get along better and get through with it, assuming an attitude of sportsmanship. However, we want the people of the country to know what it is all about and to get a picture of the munitions business.

Do not feel, Mr. Jonas, that we are trying to make an example of you, or to pillory you, but we have been a little rough on all the gentlemen in getting facts, because some of them did not want to be frank. Nobody is going to be hurt by being frank.

Then, at about the time of the Brazil revolution, Mr. Jonas adds [reading]:

> I have done exceptionally well for Federal and recently closed some big business with Cuba and Brazil, which will keep me going for a while.
>
> With regards and the best of wishes, I am
>
> Yours sincerely.

That was at about the time of the Brazilian revolution, was it not?

Mr. JONAS. Yes, sir.

The CHAIRMAN. The committee will recess until 1:15.

(The commitee thereupon took a recess until 1:15 p.m. this afternoon.)

AFTER RECESS

FOREIGN AGENTS

(The committee reconvened, pursuant to the taking of recess, at 1:30 p.m.)

The CHAIRMAN. The committee will be in order.

Senator BONE. Mr. Jonas, who is Mr. W. Perrin Iverson?

Mr. JONAS. He is a salesman that I knew in South America, and I have known him up here.

Senator BONE. With what firm is he connected?

Mr. JONAS. I think he is with Topp Bros. now.

Senator BONE. There is a note in this letter that I have before me, "Exporters Afloat, Inc." Is that some export house in New York?

Mr. JONAS. He was trying to start a company that would purchase a yacht and take various merchandise samples around the world.

Senator **Bone**. I have before me a letter dated December 30, 1932, by you to Mr. Iverson, which I will offer as "Exhibit No. 672."

(The letter referred to was marked "Exhibit No. 672" and is included in the appendix on p. 1871.)

Senator **Bone**. In this letter, Mr. Jonas, you are setting forth in memorandum form a statement of your experience, and what not. You say:

> Confirming our conversation of today, I wish to submit in detail particulars regarding my personal and business life.
>
> Nationality: American.
>
> Age: 45.
>
> Married: Two children.
>
> Religion: Protestant.
>
> Education: Graduated Morrison's Preparatory School at 16, and then took a commercial course in stenography, languages (Spanish and Portuguese).
>
> 1904–1906: Worked with the Crane Co., general office work and cost clerk.
>
> 1907: Worked with Winchester Repeating Arms Co., office work. Resigned same year to go to Bolivia on the construction of the Viacha-Cruro Railroad as a Spanish correspondent. Contract completed, returned to New York.
>
> 1908–1911: Connected with Madeira-Namore Railway Co. in northern Brazil during its construction as timekeeper, construction foreman, and during part of 1910 and 1911 was appointed purchasing agent. Resigned in June of 1911 and returned to the United States.
>
> 1911: Travelled as a salesman, covering New York State, Ohio, Connecticut, and Long Island for the Ruberoid Co. Resigned in 1912.
>
> 1912–1916: Travelled for a year with the Savage Arms Co. in this country and was leaving for South America as their foreign representative, but, owing to illness in my family, resigned and rejoined the Ruberoid Co. as a salesman and remained with them until July 1916, but again resigned to represent my former connection, Winchester Repeating Arms Company, in South America, and have been with this company ever since, except for a period of six months.

Those are statements of your general experience?

Mr. **Jonas**. Yes, sir.

Senator **Bone**. You continue:

> Travelled Brazil from Manaos to Porto Alegre until 1919. I then took the representation on a commission basis and also took on as side lines B. F. Goodrich Co. (mechanical goods), the New Haven Clock Co., the Edw. Miller Lamp Co., and the Ruberoid Co. In 1921, during the crisis, I returned to the United States and the Winchester Co. paid me a retainer to remain with them. I resided here for a year, and in 1922 they gave me entire supervision of the Latin-American territory.

That was for the Winchester Arms Co.?

Mr. **Jonas**. Yes, sir.

Senator **Bone** (reading):

> In 1924 I resigned and went into business for myself as a rubber broker, but, owing to market conditions (the Stevenson plan), I lost heavily and again connected in my old position with the Winchester Co. with their permission to take on noncompetitive lines, so I secured the agency of Smith & Wesson revolvers, Harrington & Richardson noncompetitive shotguns, and Federal Laboratories, Inc., and have remained with the Winchester Repeating Arms Co. ever since.
>
> It is true my experience has been quite varied, but this diversity has all tended toward a more complete education in the manner of doing business in the foreign field. I have referred to Latin America principally, although I have travelled in the interests of my company in Africa and the West Indies and feel that I know conditions generally even better than average.
>
> I must confess that my real interest lies in the expansion of American trade abroad, whether it be the direction of that trade from the United States or the exploitation of it abroad personally. The fact remains that my experience has been so wide that I feel it would be worth considerable to those who are similarly interested. I might add that my sales for the past seventeen years have averaged $750,000 annually.

So in that letter you state in this cold and somewhat detailed fashion a record that indicated you had been very successful as a salesman?

Mr. JONAS. Yes, sir.

Senator BONE. In reading this letter there have been a good many firms mentioned. Did you at any of these periods own stock in any of these firms?

Mr. JONAS. Yes; that is, not in that period, but I own some stock now in Federal Laboratories, 20 or 21 shares. Is that the amount, Mr. Young?

Mr. YOUNG. Twenty-one shares, I believe.

Senator BONE. In Federal Laboratories?

Mr. YOUNG. Yes, sir.

Senator BONE. Were your arrangements with these firms over there generally on some commission basis or on a salary, or does the letter itself that we have introduced clearly indicate?

Mr. JONAS. With the Winchester Co. I was on a salary most of the time. For a year I was on straight commission, and then I got a salary and a bonus over a certain amount of business; the last 2 years I was with them I worked on a salary and bonus.

Senator BONE. Would you say that a good deal of the foreign business done out of this country in South America or in Latin America is done, in the major part, on a commission basis?

Mr. JONAS. The major part is on a commission basis—I would say " yes "; especially now.

Senator BONE. Today you have this ownership in and are a representative of Federal Laboratories?

Mr. JONAS. Yes, sir.

Senator BONE. When did you go with them?

Mr. JONAS. I first took on their line, I think—about what time?—I think in 1928.

Mr. YOUNG. 1928; yes.

Mr. JONAS. About 1928.

Senator BONE. You handle, as I understand, the foreign business for Federal Laboratories?

Mr. JONAS. Yes, sir.

Senator BONE. Do you attempt to handle business in this country for them?

Mr. JONAS. No, sir; I do not do any business in this country for them.

Senator BONE. Having the export end of their business, your office is located in New York, I take it?

Mr. JONAS. I have an office in New York, but at present I am devoting most of my time to Remington.

Senator BONE. To which company?

Mr. JONAS. Remington Arms.

Senator BONE. Mr. Rich is one of your staff in connection with that export business?

Mr. JONAS. We work on a partnership arrangement on the Federal Laboratories business.

Senator BONE. What is that arrangement, Mr. Jonas?

Mr. JONAS. He gets 25 percent of the net profits, and I pay the expenses.

Senator BONE. In handling this foreign business, do you have subagents?

Mr. JONAS. Yes, sir.

Senator BONE. What financial arrangement do you make with your subagents in South America and Central American countries?

Mr. JONAS. It depends on the product. On bombs, I get a discount of 25 percent and I give my agents 20 percent, retaining 5 percent for myself. On tear gas, I get 10 percent. The discount is 35 percent, and we grant 25 percent to the agents.

Senator BONE. Why is it necessary to pay so much larger commission on tear gas than on bombs, for instance?

Mr. JONAS. I presume that there is more profit in the tear gas.

Mr. YOUNG. May I answer that question, Senator?

Senator BONE. Yes.

Mr. YOUNG. It is the introduction of a new product, and it takes considerable more work to educate the buying public as to what it will do. As a matter of fact, we got into the bomb business by trying to sell gas to those republics. They said, "Well, we do not want your gas, but will you sell us the bombs?" That was the beginning of our bomb business.

Senator BONE. You only have one competitor in the gas field?

Mr. YOUNG. Just one main competitor.

Senator BONE. That accounts in some measure for the size of the commission, does it not?

Mr. YOUNG. Do you mean that the size is large?

Senator BONE. Yes. Would they not be considered fairly sizable commissions?

Mr. YOUNG. I do not consider it so, in a specialty. If you compare that with safes or filing cabinets or cash registers—the National Cash Register Co. was built up on the basis of paying, I think, 40 percent commissions to its district agencies. There are many, many lines that pay that same rate of commission. We pay it throughout the country.

Senator BONE. Mr. Jonas, on April 22, 1932, you write a letter to Mr. George S. Forman, Palace Hotel, Rio de Janeiro, Brazil, which letter I will offer as "Exhibit No. 673."

(The letter referred to was marked "Exhibit No. 673" and is included in the appendix on p. 1872.)

Senator BONE. Who is Mr. Forman?

Mr. JONAS. He is a representative of the Colt Patent Firearms Co.

Senator BONE. You are thanking him for some letter that he has written under date of March 29, and you say following that—

> I am back with Winchester on a commission basis, and at the same time I am allowed to work the various rainbows we have here in New York on Government business.

What are these Government contracts that you referred to as "rainbow business"?

Mr. JONAS. When I first started to try to get business in that line, we heard a lot of rumors—different people coming around with crazy inquiries for tremendous quantities of guns and ammunition and bombs, that never materialized. I was not doing anything at all, hardly, in the line until business actually developed without my instigation.

Senator BONE. You say in this letter—

> I am glad to hear that the foreigners now don't think all of us millionaires and will probably be a little more sympathetic in the future. Jealousy always creates hatred, and this depression might make them a little more considerate in the future.

You are referring, I take it, to what you thought was some attitude of jealousy on their part?

Mr. JONAS. On the part of the foreigners. During the big days they all thought that every American was a millionaire.

Senator BONE. Your subagents, whom you appoint in these Latin-American countries, confine themselves to the lines that you handle, or do they handle other lines, too?

Mr. JONAS. They all have different lines; maybe 100 different lines.

Senator BONE. Under date of November 27, 1933, there is a letter from Young to Mr. Rich, which I offer as "Exhibit No. 674."

(The letter referred to was marked "Exhibit No. 674" and is included in the appendix on p. 1873.)

Senator BONE. In this letter you tell Mr. Rich as follows:

> Please proceed to appoint du Pon't agent in Peru as our agent on a 15-percent basis and quote him on all of those bombs. Tell him we will give him a 90-day trial period, unless we are forced to deal direct with the Government, which we prefer not to do.
>
> I am also writing you tomorrow on a similar set-up in Ecuador.

Who was the du Pont agent in Peru?

Mr. YOUNG. Mr. De Rossi.

Senator BONE. De Rossi?

Mr. YOUNG. Yes.

Senator BONE. Would this be another case of one of the subagents that Mr. Jonas has told us about?

Mr. YOUNG. That is right.

Senator BONE. And when that agent was appointed there, he would work under Mr. Jonas?

Mr. YOUNG. Yes, sir.

Mr. JONAS. That does not mean that I got that difference in the commission.

Senator BONE. Were these du Ponts suggesting suitable people to you for work as agents in South America?

Mr. YOUNG. I should not like to put it that way. Mr. N. E. Bates is a personal friend of mine, and he wrote me saying that he thought this man would make a good agent.

Senator BONE. That is the man known as "Nick" Bates?

Mr. YOUNG. Yes.

Senator BONE. And Colonel Casey, of the du Pont Co., has also written you?

Mr. YOUNG. Yes, sir.

Senator BONE. He is a friend of yours, I understand?

Mr. YOUNG. Yes, sir.

Senator BONE. They had been pleased to make some suggestions to you as to desirable men whom you might retain in South America as your local representatives?

Mr. YOUNG. Yes, sir.

Senator BONE. Did you have reason to believe that those representations were based on knowledge that the du Pont people had of the integrity and the ability of those people?

Mr. YOUNG. I think so. Mr. De Rossi seems to represent a number of leading firms. These are all brokers down there who deal in a certain class of business.

Senator BONE. Did you attempt to be careful and to exercise judgment in the selection of your representatives there?

Mr. YOUNG. We tried very hard to be careful.

Senator BONE. In a letter dated January 9, 1934, early this year, you are writing Mr. Jonas in Argentina. I offer this letter as "Exhibit No. 675."

(The letter referred to was marked "Exhibit No. 675" and is included in the appendix on p. 1873.)

Senator BONE. You say in part:

> Nick Bates returned Saturday from his trip.

That is the Mr. Bates who is the du Pont representative?

> He recommended to us previously the assignment of Ernesto de Rossi, Lima, Peru; Sr. Don Francisco Sefzig, Guayaquil, Ecuador.
>
> We followed his recommendations and are getting some very active work from these two companies.

Were those companies in Ecuador and Peru that you were referring to or were you referring to du Pont?

Mr. YOUNG. I think that should read:

> "These two countries."

Senator BONE. Instead of "companies" it should be "countries"?

Mr. YOUNG. Yes.

Senator BONE (reading):

> We hope to close a $120,000 order out of Peru in the next three or four weeks.

What would that have been on?

Mr. YOUNG. On bombs.

Senator BONE. For military purposes?

Mr. YOUNG. Yes, sir.

Senator BONE. That is, not gas bombs?

Mr. YOUNG. That is right.

Senator BONE (reading):

> De Rossi certainly seems to have the inside, as he has given us all the information necessary to know where we stand.

Then down below you say:

> This morning I spent practically an hour on the long distance, working on a $65,000 order for Bolivia. It looks as though we are going to close the order today or tomorrow. It is a matter of credit now, since our friend, Metcalf, has again succeeded in nicking us for $1,500, * * *.

What was that transaction?

Mr. YOUNG. That was Metcalf buying for W. R. Grace & Co., who buy at a net price and required us to reduce our price to that extent.

Senator BONE. Let this side rest for a moment and I will ask about W. R. Grace & Co. That is a New York corporation, is it not?

Mr. YOUNG. Yes, sir.

Senator Bone. Quoting now from another letter dated February 23, 1934, written by N. E. Bates, Jr., to Mr. Young, I will offer this letter as "Exhibit No. 676."

(The letter referred to was marked "Exhibit No. 676" and is included in the appendix on p. 1874.)

Senator Bone. This is from Wilmington, Del., to you. He speaks of being on friendly terms with parties in South America. He says:

> * * * the experts are favoring, for one reason or the other, certain manufacturers and discrediting the products of others. Triana * * *

Who is Triana?

Mr. Young. I do not know, sir.

Senator Bone. He says:

> I am on friendly terms with Dr. Triana.

He also says later on —

> I am on friendly terms with Colonel Boy.

Who is he?

Mr. Young. I do not know.

Senator Bone. And this letter says:

> I hope to be able to interest him a little more in the samples of bombs eventually sent by your company.

Now, who is Stuart Hosie?

Mr. Young. Stuart Hosie is just what Mr. Bates described here—he was appointed to act as their agent in Colombia, but, as I recall it, he was not appointed by us.

Senator Bone. He was a du Pont agent?

Mr. Young. He was a du Pont agent.

Senator Bone. Concerning him Mr. Bates has this to say:

> He is extremely well connected in government circles and his reputation in Bogota is of the highest.

Do you know what that connection was?

Mr. Young. No; I do not.

Senator Bone. Again, on February 24, 1934, you wrote a letter to Mr. Bates, which I offer as "Exhibit No. 677."

(The letter referred to was marked "Exhibit No. 677" and is included in the appendix on p. 1874.)

Senator Bone. In this letter you acknowledged receipt of the letter which we have just been referring to, relative to Stuart Hosie and then you say:

> * * * I am now recommending to our export office that they appoint Mr. Hosie as our exclusive agent in Colombia.
>
> This gives us rather a solid block of du Pont- a la-Federal agents in Peru, Ecuador, and Colombia. All we have to do now is to get the business.

That would indicate, perhaps, if not an alliance, a close friendly association with the du Pont set-up in South America? Is that the custom?

Mr. Young. Yes; I think you will find that is normal in any class of business; we were buying from the du Ponts and were on friendly personal relations, on terms of friendship with them.

Senator Bone. That is right; you were buying powder from them for your bombs, were you not?

Mr. Young. Yes, sir.

Senator BONE. Did any of the airplane companies in South America represent you either directly or indirectly?

Mr. YOUNG. At one time or another they did.

Senator BONE. Which ones?

Mr. YOUNG. Both the United and the Curtiss-Wright sold for us at different times.

Senator BONE. In a letter dated July 1, 1931—this goes back some time—you write to Mr. Jonas:

> Confirming agreement reached in our office today, pertaining to business received through the Curtiss-Wright Export Co., and through the United Aircraft Exports Co., this is to be advised you that we hereby assign these customers to you for sales supervision, * * *.

So Mr. Jonas was to take over that work of supervisiong those sales actively?

> * * * with the understanding that in territory outside of that which is now covered in your contract of this same date, and on business on which they are operating on a 20-percent basis you will receive a 5-percent additional overriding commission as your remuneration, except on smokeless screen equipment, on which you will receive a commission of 7½ percent; the commission being payable on our present standard products at our present list prices.

I offer this letter as "Exhibit No. 678."

(The letter referred to was marked "Exhibit No. 678" and is included in the appendix on p. 1875.)

The CHAIRMAN. Is there pretty general use made of the machinery and the sales organizations that other American manufacturers have in those South American countries? Do you all make use of it more or less?

Mr. JONAS. What set-up, Senator?

The CHAIRMAN. Well, Curtiss-Wright for example, have their representatives in South America. Do you work with them?

Mr. JONAS. When I have the opportunity I do.

The CHAIRMAN. And they work with you?

Mr. JONAS. At present they are not working with us but formerly they did.

The CHAIRMAN. United Aircraft?

Mr. JONAS. United Aircraft have not worked with us for quite some time. They did for a while.

The CHAIRMAN. They did for a while?

Mr. JONAS. Yes.

The CHAIRMAN. What other American companies have you worked with down there in the matter of sales?

Mr. JONAS. It was principally the aircraft companies.

The CHAIRMAN. Principally the aircraft companies?

Mr. JONAS. Yes, sir; I mean for the Federal Laboratories line.

Senator BONE. Who is Luis Aubry?

Mr. JONAS. He is a Peruvian, sir.

Senator BONE. Connected with the navy, was he not?

Mr. JONAS. He was connected with the navy; yes.

Senator BONE. Commander in the Peruvian Navy?

Mr. JONAS. Yes.

Senator BONE. He also had some tie-in with the Electric Boat Co. of New York?

Mr. Jonas. That I do not know. I think there was some tie-up on that.

Senator Bone. Was he not their Peruvian representative?

Mr. Jonas. I have met him only once, so I do not know much about the details of that. I have never done any business with him.

Senator Bone. On January 5, 1933, you wrote him a letter, which I offer as "Exhibit No. 679."

(The letter referred to was marked "Exhibit No. 679" and is included in the appendix on p. 1875.)

Senator Bone. In this letter you were outlining the type of goods that the Federal Laboratories were selling in South America, and you say:

> We are in a position to supply you with the very latest design of airplane bombs, both demolition and fragmentation types, such as are now used by the United States Government.

Was that true?

Mr. Jonas. That is what I understood from the Federal Laboratories, that I could use that statement.

Senator Bone. You were authorized to say to Mr. Aubry that you could supply Peru with the same type of bombs that the United States Government was using.

> Our fragmentation bombs are of the very latest ring type and we recommend the 25-pound size.

Why is that the most desirable size?

Mr. Young. It is the most efficient size.

Senator Bone. What do you mean by the most efficient?

Mr. Young. To get the best effect for the amount of weight that the plane has to carry. You get almost the same effect from a 25-pound bomb, I am told, as you could from a 50-pound bomb.

Senator Bone. By that you mean in the destruction of life?

Mr. Young. You can put it that way; in the spreading of missiles.

Senator Bone. Fragmentation bombs are not used to demolish buildings. They are used to destroy life, are they not?

Mr. Young. That is right.

Senator Bone (reading):

> We manufacture these bombs in 25-lb., 50-lb., 100-lb., and 120-lb. sizes. We also manufacture 500-lb. and 1,100-lb. sizes. The most popular types used, however, are the 25-lb., 50-lb., and 120-lb.
>
> We have recently developed an incendiary bomb, * * *

Was that developed in your laboratories?

Mr. Young. Yes, sir.

Senator Bone. Do you have a research division working out details of that kind?

Mr. Young. Yes; we do.

Senator Bone (reading):

> * * * which should be of great value to your country. The bomb shell weighs only sixteen pounds and carries a charge of thirty-four pounds of fagots * * *

What are those?

Mr. Young. That is a little fagot—fagot is the proper name of it.

Senator Bone. Is it made of wood?

Mr. Young. No; it is made out of cloth and other material. It is burning when it leaves the bomb and continues to burn for about 10 minutes.

Senator Bone (reading):

> * * * giving a total weight of fifty pounds, and which are thrown from fifty to one hundred feet in a radius from the bomb when it explodes. As these fagots are soaked in a gasoline and fuel-oil formula they continue to burn for at least ten minutes, setting fire to anything that is combustible with which they come in contact. We supply you with the formula for loading these bombs and the material can be furnished from your own natural resources in your country at a very low cost.
>
> The price of these bombs in one thousand lots, loaded with fagots, but not with the fuel, is $16.00 each. Your army will find this one of the most effective bombs they could possibly use and also the least expensive.
>
> We would like to call your attention to the great advantage in use of gases, whether the tear gas or the sickening gas. The tear gas will drive men out of a fortress or a barricade. It is persistent and remains effective in closed quarters for days. The effects last for ten or fifteen minutes after entering clear air. It forces the enemy to expose himself or to wear a gas mask.
>
> The sickening gas will incapacitate a person who comes in contact with it for a period of six or eight hours. It causes severe vomiting, headaches, and weakness; but does not leave any permanent after effects. It is a marvelous gas to use before effecting a capture. Airplane bombs and hand grenades loaded with these chemicals can be shipped without the difficulty experienced with high-explosive bombs. The price on the chemical bombs is shown on the attached list.

The Chairman. How are these commodities shipped?

Mr. Young. The Department of Commerce has the regulations set up for shipping those, for packing, providing a certain type of packing to be used. Some are shipped by express and some by freight.

The Chairman. In ocean shipments, for example, are they shipped on passenger vessels?

Mr. Young. No; there is a regulation that any explosive cannot enter a port. A boat carrying a load of explosives, if it is entering a port, must unload the explosives on a lighter and leave them out in the harbor before it goes into a port. On the tear gas, I do not believe that is necessary.

The Chairman. Is there any regulation against their being shipped on board a passenger vessel?

Mr. Young. Yes; there is.

The Chairman. They cannot be shipped on a passenger vessel?

Mr. Young. That is the explosives. The tear gas is allowed to be shipped on passenger vessels and passenger trains.

The Chairman. How about an incendiary bomb?

Mr. Young. The incendiary bombs are to be shipped unloaded and they go purely as metal parts.

The Chairman. They are loaded at the place where they are to be used?

Mr. Young. Yes, sir.

The Chairman. How about the material for loading them?

Mr. Young. They had that down in Peru.

The Chairman. Have they had it everywhere else where you have shipped those bombs?

Mr. Young. The material for loading, if they do not have it where they are going to use the equipment, it is shipped in steel drums, the same as the Department of Commerce have set up for shipping gasoline or oils.

The Chairman. Is there any prohibition against the shipment of those steel drums on a passenger liner?

Mr. Young. I do not know.

The CHAIRMAN. Do you know whether any of your material has been shipped on passenger liners?

Mr. YOUNG. I do not know that. The steamship companies are very careful in that, and offhand I would say only freight liners would carry that equipment.

Senator BONE. Under date of March 11, 1932, Raoul Leon was writing you from Argentina, and I offer this letter as an exhibit.

(The letter referred to was marked "Exhibit No. 680" and appears in the appendix on p. 1876.)

Senator BONE. In this letter, "Exhibit No. 680", Mr. Leon says:

> It is a long time since I have written you, but the fact of the matter is that there has been nothing to write about.
>
> Since the presidential decree which made it unlawful to import tear gas into the Argentine, the Federal Laboratories account has been an uphill game with us, because we could not afford to let the thing die out, and as a consequence kept right after all the prospects that we have and have had, knowing full well that there would be no immediate results forthcoming, nor would it be possible to make sales until such time as the decree above referred to was either amended or abolished.

Was there a decree down there excluding tear gas?

Mr. JONAS. It must have been when he wrote me that.

Senator BONE. He says it would be impossible for him to make sales until it was either amended or abolished.

Mr. YOUNG. As I recall, there was an attempt made on the part of Germany to fill that part of the country with a tear-gas product, and it was necessary to put up some legislation to prevent anyone from bringing it into the country. Our sales down there were entirely with the divisions of the Government, and it is still in that manner.

Senator BONE. Then Mr. Leon proceeds in this letter as follows:

> Due to the shut-door attitude, as regards the importance of gas or gas guns, it is impossible even at this time to even import samples; and inasmuch as I have been obliged to return the riot gun to the telephone company, which they so kindly loaned me, and which I have used for about six months, the only demonstrating outfit that I have is one pencil and one billy, plus two or three hand grenades, and this is all.

What kind of a demonstrating outfit would a pencil be?

Mr. YOUNG. It is a little device about the size of a fountain pen we used to make that would shoot tear gas.

Senator BONE. That is a little pocket tear-gas gun?

Mr. YOUNG. Yes, sir.

Senator BONE. That shoots a cartridge and shoots gas into one's face?

Mr. YOUNG. Yes.

Senator BONE. It has an almost asphyxiating effect, doesn't it?

Mr. JONAS. No; it does not have an asphyxiating effect at all. If I would shoot a gun in your direction, you would get the effect of it.

Senator BONE. It would blind me?

Mr. JONAS. It would not blind you, but you probably would not be able to see for 10 minutes.

Senator BONE. Now, what about the billy?

Mr. YOUNG. The billy is a policeman's weapon which performs the dual service of a blackjack and a tear-gas gun at the same time. It has a cartridge inside of it which shoots gas.

Senator BONE. Then Mr. Leon goes on to say:

> Might I suggest that you find some way of handing some friend or acquaintance, or steward or purser of some steamer, two or three pocket-pencil guns, with instructions to deliver them to me. This is an easy matter, as they could carry them in their pocket and no one would know the difference.

The CHAIRMAN. Let us get this straight. It was illegal to ship those pencils in there, wasn't it?

Senator BONE. By presidential decree you said.

Mr. YOUNG. We had no equipment down there at the time.

The CHAIRMAN. Yes; but this is an invitation to smuggle them in. I know this is in the nature of a sample, but the request is to smuggle it in.

Mr. YOUNG. May I read this more carefully?

Senator BONE. Yes; certainly. You will note he says this is an easy matter, as they could carry them in their pocket and no one would know the difference. Then he proceeds to say:

> The riot gun I realize is more difficult, but still it is always possible; and it occurs to me that this could be done by separating the stock from the barrel by taking out the screw and it could be delivered to me in two pieces.

Mr. JONAS. I don't think this was done, Senator Nye.

The CHAIRMAN. I am afraid you will discover in a few minutes that it was done.

Mr. JONAS. My memory fails me, then, or I would not have made that statement.

Senator BONE. This is coming from the agent in whom Mr. Jonas had every confidence, a man who had great ability and integrity, and I read further from his letter:

> I am sending you this letter by air mail as I am in a hurry to get the pencils and the riot guns. You have many acquaintances in the steamship business and I am sure you will find someone who would be willing to carry same and place it in my hands.

Mr. YOUNG. It is rather interesting to know, Senator, there have been no shipments into that country outside of a sample, as you indicate has been done here, which I know nothing of, except to police departments, and I think the condition Mr. Leon found himself in was without any sample whatever to demonstrate to the police department.

Senator BONE. Now, let us see what Mr. Jonas did. On March 22, 1932, Mr. Jonas replied to Mr. Leon, and this letter I offer as an exhibit.

(The letter referred to was marked "Exhibit No. 681" and is included in the appendix on p. 1877.)

Senator BONE. In this letter, "Exhibit No. 681", Mr. Jonas says:

> I was quite surprised to learn that tear gas was embargoed in the Argentine. This was the first news that I have had to this effect. I sincerely hope that you will be able to have this ruling abolished and that shortly we will be able to do some business.

Do you know whether that ruling was abolished?

Mr. JONAS. It evidently was.

Senator BONE. He was evidently successful, then?

Mr. JONAS. I am not saying he did it, but it was abolished.

Senator Bone. Reading further from your letter, I find the following:

> I have written the factory to send me the samples you requested, and at the first opportunity I will deliver them to some purser on the Munson Line, requesting him to deliver it to you.

Did you deliver them to some purser on the Munson Line?

Mr. Jonas. If you have the information to that effect, I must have.

Senator Bone. You did not want to admit it only after we indicated it had been done.

Mr. Jonas. To be perfectly frank, I did not recall the incident; honestly, I did not. This was in 1932.

Mr. Young. Senator, I believe this is like violating some of our traffic laws. The intent of the decree originally was to stop the importation of a flow of tear gas throughout the country in times of unrest, and not probably to go to that fine extent. We all violate traffic laws and the crime seems to be in getting caught. In this case there was no actual violation of the desire of the Government to keep other gas from coming in.

The Chairman. Then why would it not have been the simple matter to ask the Government for permission to export these samples for that purpose?

Mr. Young. That would take a long routine job, and he was in a hurry to get these.

The Chairman. It was quicker to violate the law and get results than any other way?

Senator Bone. Now, let us follow it up and see what happened about the gas. In May 1932, Mr. Jonas, you addressed a letter to your friend Mr. Leon, which I offer as an exhibit.

(The letter referred to was marked "Exhibit No. 682" and is included in the appendix on p. 1877.)

Senator Bone. In the first paragraph of this letter you say:

> Last Saturday I sent by Mr. Blake, chief officer of the *Southern Cross*, 1 riot gun, 2 long-range cartridges, and 2 short-range cartridges. Please meet him at the steamer and see what you can do to take it off.

Was the *Southern Cross* one of the Munson Line ships?

Mr. Jonas. Yes; and I remember the incident now.

Senator Bone. In that paragraph you are telling him plainly to slip it by the barriers in Argentina.

Mr. Jonas. Unless he could get a police officer to come on board and get it for him. He could not take that along without a permit from the officer.

Senator Bone. You did not say that, and you just said you were surprised to hear about this, and that you didn't know about it.

Mr. Jonas. As a matter of fact, they use tear gas on the *Southern Cross* to keep away stowaways, not this particular gas, but they use tear gas.

Senator Bone. On May 20, 1932, Mr. Leon gave some further light on this subject in a letter written by him to you on that date, which I offer as an exhibit.

(The letter referred to was marked "Exhibit No. 683" and is included in the appendix on p. 1878.)

Senator BONE. In this letter Mr. Leon says:

> Further to your letter of May 2, I have today been to the *Southern Cross*, have seen Mr. Blake, and have taken possession of the riot gun and two each long- and short-range cartridges.

There is no reference to the police there.

The CHAIRMAN. Maybe Mr. Leon was a police officer.

Mr. YOUNG. No; he was our agent.

Senator BONE. The letter reads further:

> I assume you have also taken possession of the three Protecto guns and that you are sending them to me by some other source.

What does he mean by that?

Mr. JONAS. Some other party, I assume.

Senator BONE. What are the Protecto guns?

Mr. YOUNG. That is our fountain-pen gun.

Senator BONE. Did those go in in the same fashion?

Mr. JONAS. Evidently.

The CHAIRMAN. Mr. Young, do you feel that there is comparative safety in shipping such munitions as you deal in with South America, upon vessels, and that there is not much chance of fire or explosion by reason of it?

Mr. YOUNG. Yes; that is not a matter of opinion, Senator. Those products have been thoroughly tested by the Bureau of Explosives. Perhaps the best example of that would be the accident that occurred last week when a plane dropped and cracked up going to Rhode Island, which has been mentioned previously.

The CHAIRMAN. There was no explosion?

Mr. YOUNG. There was no explosion, and nothing happened except the product was pretty well destroyed.

The CHAIRMAN. Of course, there wasn't any TNT or anything like that in the shipment.

Mr. YOUNG. No; all TNT shipments go only in freight boats.

The CHAIRMAN. Isn't TNT shipped in passenger vessels?

Mr. YOUNG. Not to my knowledge.

The CHAIRMAN. You have no recollection of any shipments in passenger vessels?

Mr. YOUNG. I am not sure there have not been.

Senator BONE. Under date of September 15, 1932, you were writing Mr. Metcalf, manager of Grace & Co., and your letter I offer as an exhibit.

(The letter referred to was marked as "Exhibit No. 684" and is included in the appendix on p. 1878.)

The CHAIRMAN. Who is this Grace & Co.?

Mr. YOUNG. They are well-known shippers.

The CHAIRMAN. On steamship lines?

Mr. YOUNG. Yes, sir.

Senator BONE. You say in this letter, "Exhibit No. 684":

> I hesitate to comment on the availability of boats to carry this cargo, since that is your business, but it seems to me that a small freight boat could be chartered to take a cargo of this size. We understand that shipping regulations prohibit the carrying of these bombs on boats carrying passengers. Carrying of TNT bombs, however, should be no greater hazard than carrying dynamite, as the detonators and firing mechanisms are not packed with the bombs. They

represent nothing more than metal containers for the TNT and, as you doubtless know, it takes quite a violent shock to set off TNT. With the Interstate Commerce Commission allowing shipment of these across the country in l.c.l. lots, there should be no serious question of mixing this freight with other types of freight aboard a steamer.

What result did you get?

Mr. YOUNG. I got no result at all.

Senator BONE. Is this stuff shipped on steamer?

Mr. YOUNG. It was shipped on a freight boat without passengers. I based my contention for that argument on the fact that you can drop a loaded TNT bomb from an elevation of 4,000 feet where it might hit on a rock or on concrete and it will not explode.

The CHAIRMAN. What will happen to it if fire reaches it?

Mr. YOUNG. In that case, I could not answer.

The CHAIRMAN. It is just heaven help anybody who happens to be on board the ship?

Mr. YOUNG. This was not shipped on a passenger vessel. We investigated and found the interstate commerce rulings were such that it was shipped on a freight steamer.

The CHAIRMAN. TNT will explode if it is reached by fire?

Mr. YOUNG. I could not answer that, but I doubt it. TNT is exploded by a violent shock, and it takes a three step-up of explosives in order to get TNT to go off.

The CHAIRMAN. Would lightning set it off?

Mr. YOUNG. I should say no.

The CHAIRMAN. You get pretty violent shocks from lightning.

Mr. YOUNG. Again, I am only a layman and a business man, and on that question I am not informed.

The CHAIRMAN. I am only inquiring.

Mr. YOUNG. I am trying to give you the best information I have, but I think there are experts who can answer your question very readily.

Senator BONE. You personally think it would be safe to ship TNT without detonators on the average steamer?

Mr. YOUNG. Yes, sir.

Senator BONE. Now, Mr. Jonas, Leon & Bonasogna are writing you again under date of August 22, 1932, which letter is offered in evidence.

(The letter referred to was marked "Exhibit No. 685" and is included in the appendix on p. 1879.)

Senator BONE. In this letter Mr. Leon is suggesting that he does not agree with you that prospective business with Paraguay and Bolivia is dead, and he says trouble with these countries still exists and that only last night a new attack was made by Bolivia on Paraguay, and then he continues:

> Only yesterday we had an air-mail letter from our agent in Bolivia in answer to one of ours in which I offered to go to La Paz, in which he advised that momentarily he did think it advisable for me to take the trip, not because there was no interest but because there would still be some delay regarding a fixed decision, more for administrative reasons than for anything else. He further went on to say that he was keeping right after the minister and that he expected to be able to give me something shortly.

That would indicate he was not waiting for orders but was actually soliciting the minister for munitions orders. That is right, isn't it?

Mr. JONAS. It appears to be right.

Senator Bone. Mr. Leon then goes on further to say:

> Just as a matter of information for you, and which I would ask you to keep confidential, our agent in La Paz is Mr. Jorge Saenz, of the firm of J. Saenz & Hijos. This name no doubt will be familiar to you, as it treats of one of the strongest firms in Bolivia, Mr. Saenz, Sr., being president of the Bolivian Railroads, head of the alcohol monopoly, and an important banker. Mr. Saenz, Sr., you will recognize as an ex-Ambassador to Italy. It so happens that Saenz is a very distant relation of my wife, and he is a very close pal of mine; therefore, anything he can do for me or in the protection of my interests, he is doing with great pleasure. It might further be interesting for you to know that Mr. Saenz, Jr., is the actual head of their business, Mr. Saenz, Sr., being in Europe. In other words, the idea that I am trying to put over is, that our agent in Bolivia is not just one of those manufacturers' representatives but a person of weight and responsibility, and with very close social relations with the President and Ministers of the Republic of Bolivia. As a matter of fact, he was asked by the President to form part of the Cabinet, which he refused on account of his business interests.

I take it that you were thoroughly satisfied with your business connections in Bolivia, and that they were as strong as they could be in that country?

Mr. Jonas. Nevertheless, he did not do any business; it was all done through W. R. Grace & Co.

Senator Bone. Now, on April 4, 1932, there appears a letter from Mr. Young to Mr. Jonas, which I offer in evidence.

(The letter referred to was marked "Exhibit No. 686" and is included in the appendix on p. 1880.)

Senator Bone. It appears from this letter, "Exhibit No. 686", that in your search for business you wrote Mr. Jonas concerning the Panama Canal, as follows:

> I notice in Sunday's Herald Tribune that they were expecting labor trouble at the Panama Canal. This paper lists the Callahan Co. and Shirley, Peterson, and Gunther as contractors. This is for the new Madden Dam Alejuela. I think if these people are properly solicited they can be convinced of the importance of carrying tear gas on hand in Panama. I suggest you follow this through.

Did you solicit them for tear gas?

Mr. Jonas. I probably wrote them on the subject.

The Chairman. Did you get any orders?

Mr. Jonas. I do not recall whether we got any orders or not.

Mr. Young. May I add this was not an attack against labor, it was directed against the resultant troubles that often comes when there is a dispute with labor, and down in that country it is far more terrible than it is up here.

The Chairman. Mr. Young, is it a fact that you watch or have watched closely the papers noting where labor troubles are being experienced and then conclude that is a field and market for you, and you proceed to get into that market?

Mr. Young. No, it is not a fact; and that was merely incidental. We have no organized plan, and take no pains about watching the newspapers about those things. We frequently do notice it, and will call it to our agent's attention.

Senator Bone. You have alluded frequently in your correspondence to labor disturbances around the United States and the desirability of using this gas to suppress labor disturbances.

Mr. Young. That is correct.

Senator BONE. As a matter of fact this gas is to be used more to correct labor disturbances than in any other field?

Mr. YOUNG. May I state one case?

Senator BONE. Yes.

Mr. YOUNG. In San Francisco where tear gas was used we had a labor strike of the longshoremen which seemed to be getting along fairly well, or at least there was no great trouble until this report came to me from the police department that the Communists' organizations got the longshoremen's union to reduce their fees to 50 cents per member; then immediately most of the Communists went into the longshoremen's union, although they knew nothing about longshoremen's work, and then they called for a vote, and in a short time organized labor found themselves in the hands of the Communists, and then we had an occasion where tear gas, according to the chief of police of San Francisco, saved a great number of people from being killed.

Senator BONE. Is that the story you got?

Mr. YOUNG. That was the story I got.

Senator CLARK. Mr. Young, why should the police department of San Francisco be reporting to you about the longshoremen's strike?

Mr. YOUNG. As one of the suppliers of the gas, they were naturally reporting back to me what happened; not officially or anything like that, but our man was there, and that was the statement made to him.

The CHAIRMAN. How did he happen to be there?

Mr. YOUNG. He was on the job, as you would expect him to be.

The CHAIRMAN. Do you have representatives in all of the larger cities?

Mr. YOUNG. We do, sir.

The CHAIRMAN. One of their jobs is making sales when troubles do arise?

Mr. YOUNG. Their job is making sales all of the time.

The CHAIRMAN. Why was it necessary for you to advise Mr. Jonas of this situation in Panama; wouldn't he have known of it, if you had not notified him?

Mr. YOUNG. He might have.

The CHAIRMAN. You state here in this letter of April 4 you noticed in Sunday's Herald-Tribune they were expecting labor trouble at the Panama Canal, and you said if this company that was having the labor trouble was properly solicited they might probably be convinced of the importance of carrying your tear gas there in Panama. Isn't that a pretty strong indication you do follow up closely wherever labor troubles do arise and, if you do not have representatives on the spot, you see that one gets there in a hurry?

Mr. YOUNG. I think that is merely incidental. In major cases like we have had in Wisconsin and in Toledo we did follow them closely, but as to going on a campaign against labor, we do not do that.

The CHAIRMAN. I was not charging that at all, but I was pointing out you were looking for a market such as labor trouble would create.

Mr. YOUNG. I might say that far more actively we do that as to bandits, where a bank is held up, and we then call on the neighboring bank and find him in a good frame of mind to talk about protection. Yet there are hundreds of banks held up, and we don't follow them all through. That was probably a Sunday paper I read at my home and saw the clipping and thought I would pass it on.

The CHAIRMAN. Then, even bank robbers have a tendency to help some people?

Mr. YOUNG. Yes, sir.

Senator BONE. Mr. W. A. Graves, chairman of the Railway Auto Supply Co., is chairman of your board, and that is a company that supplies undercover operators to be used in breaking strikes; is that true?

Mr. YOUNG. I would rather Mr. Graves answer for himself; I am not familiar with his business.

Senator BONE. Would you have any occasion to doubt the authenticity of that statement I read this morning?

Mr. YOUNG. I think it is a very narrow definition of his business.

Senator BONE. They supply undercover men as strike breakers?

Mr. YOUNG. I know they do detective work.

Senator BONE. They do detective work in the ranks of organized labor, of course, and naturally working for the employer they might want to discredit a strike, and there is no particular love lost in strikes, is there? Anybody working under cover as a secret-service man in a labor organization would not have any sympathy with the labor organization, that is most obvious.

Mr. YOUNG. I would not say that.

Senator BONE. No; of course you would not say it, no one would say it, yet a man on the board of a company doing that sort of work is on your board, and you want to tell us that your company has no object in finding out about strikes.

Mr. YOUNG. I might say we also have bankers on our board of directors.

Senator BONE. I understand, and that is beside the point we are now inquiring about this labor angle. We will leave it in that fashion.

Under date of April 4, 1932, Mr. Young, you were writing Mr. Jonas concerning Bogota, Colombia, and I offer that letter in evidence.

(The letter referred to was marked "Exhibit No. 687" and is included in the appendix on p. 1880.)

Senator BONE. You say in this letter:

> I notice Bogota, Colombia, is under special guard of twelve hundred police operating as an army.

What was happening in Bogota to require 1,200 men on the streets operating as an army?

Mr. YOUNG. I do not recall.

Senator BONE. Then you asked this question [reading]:

> What are we doing to put on an intensive campaign to sell the Colombian Government and get them to put up some money.

Who appropriated the $350,000?

Mr. YOUNG. I believe I am quoting the account there.

Senator BONE. The newspaper account?

Mr. YOUNG. Yes.

The CHAIRMAN. This is another market that developed for you by reason of your watching the newspapers, wasn't it, Mr. Young?

Mr. YOUNG. No; I would not say it developed by reason of that, Senator. We had been trying prior to that and at that time to sell the value of tear gas to the South American police departments for their use.

The CHAIRMAN. But this little uprising down in Bogota meant a little additional salesmanship and the chance to sell?

Mr. YOUNG. It is the human thing for a man not to buy something until he needs it, then he wants it right away.

The CHAIRMAN. Likewise it is a question of putting forth your best when the other fellow is under fire?

Mr. YOUNG. Yes, sir.

Senator BONE. You are writing Mr. Jonas again on July 22, 1932, which letter is offered as an exhibit.

(The letter referred to was marked "Exhibit No. 688" and is included in the appendix on p. 1881.)

Senator BONE. That letter reads in part as follows:

> MY DEAR FRANK: Replying to your letter of July 16th, relative to proposed trip to Latin America, as you know I have been studying this market very intensively, and I do not know a more opportune time than at present to cover this territory insofar as the actual need for equipment is concerned.

You explain in the next paragraph what makes this an opportune time. You say [reading]:

> I believe these needs are so pertinent that financial arrangements can be made with the various countries. The present depression gives the necessary cause or excuse to start a revolution, and the prospects of a revival of trade in the future is furnishing the incentive to those who are out of power to try to get into power through the medium of revolution.

Then you continue in the last paragraph [reading]:

> Have you circularized your mailing list again? We sent you 100 copies of our circular on bullet-proof vests yesterday * * *.

Were you then dealing in bullet-proof vests?

Mr. YOUNG. We still are.

Senator BONE. Did the revolution or the revolutionary situation down there step-up or perk up the market for you?

Mr. YOUNG. As you probably recall, sir, they attempted to kill the President of Peru.

Senator BONE. That was the time, was it not, when there were a lot of scandals in Peru over Government financing, involving several huge bond issues?

Mr. YOUNG. I do not remember.

Senator BONE. Do you remember, Mr. Jonas?

Mr. JONAS. About that time.

Senator BONE. You remember the Juan Leguia scandal?

Mr. JONAS. Yes, sir; I remember that in the newspapers.

Senator BONE. Another committee of the United States Senate went into that and revealed fully the phases dealing with the Peruvian bond situation.

Senator BONE. Now, Mr. Jonas, under date of April 18, 1932, you wrote a letter to the Winchester Repeating Arms Co., of New Haven, Conn., which will be appropriately marked.

(The letter referred to was marked "Exhibit No. 689" and is included in the appendix on p. 1881.)

Senator BONE. In that letter you say in part, Mr. Jonas [reading]:

> I am also working with Mr. Saraga, of 17 Battery Place—

Who is he?

Mr. JONAS. He is a broker who handles army equipment.

Senator BONE. Handles arms equipment?

Mr. JONAS. Belts and anything along those lines he can get hold of.

Senator BONE. Do you know what he was referring to in this particular case?

Mr. JONAS. I have not the slightest idea, sir.

Senator BONE. I will continue reading—

> who has requested me to quote him on 200,000 30/40 caliber cartridges and 100,000 351 cartridges. Mr. Saraga tells me that these goods are for export, but would not give me destination.

You do not know where those were going, in case that deal was consummated?

Mr. JONAS. No, sir.

Senator BONE. On the 26th of June 1933, shortly after that letter, you wrote Mr. Young this letter, bearing date, as I say, of June 26, 1933.

(The letter referred to was marked "Exhibit No. 690" and is included in the appendix on p. 1881.)

Senator BONE. In that letter to Mr. Young you state in part as follows [reading]:

> On the 12 magazines for Thompson guns which Saraga wants to buy, I can very easily say that these are to be delivered to a passenger going to Buenos Aires.

Who was that passenger? Was there a prohibition against machine guns going into the Argentine to private individuals?

Mr. JONAS. Except for the Government; yes.

Senator BONE. Except for the Government?

Mr. JONAS. Yes, sir.

Senator BONE. Now, you say at the bottom of that letter, writing to Mr. Young [reading]:

> I can see no harm in filling the order this way as it is not prohibited to handle magazines here in New York.

You were not averse to making the deal in New York, although you knew they would have to be smuggled into the Argentine?

The CHAIRMAN. What relations have you had with Mr. Saraga?

Mr. JONAS. We bought cartridge belts from him. Mr. Rich can tell you more than I can about it.

Mr. RICH. We bought from him, as a broker, some cartridge belts and gun slings, which we had orders for and did not know where to get them, and he is well versed in sources of supply of that character of material, and we bought through him.

Senator BONE. You say to Mr. Young [reading]:

> If you are agreeable, you can ship them to me at my office and bill me for them. I will then collect from Saraga and remit.

Under date of January 16, 1934, Mr. Young, you were quoting W. R. Grace & Co., of Hanover Square, New York, prices on incendiary chemical bombs.

(The letter referred to was marked "Exhibit No. 691" and is included in the appendix on p. 1882.)

Senator BONE. In that letter you say to the Grace Co. [reading]:

> GENTLEMEN: We wish to confirm prices given you over the telephone this afternoon in connection with your inquiry for Chile—

Was the Grace Co. buying munitions of war for Chile?

Mr. YOUNG. The Grace Co. represented us in Chile and Bolivia.

Senator BONE. They were your representatives in Chile and Bolivia?

Mr. YOUNG. Yes, sir.

Senator BONE. And Peru?

Mr. YOUNG. No; not in Peru.

Senator BONE. You quoted one thousand 30-pound smoke bombs, loaded; two thousand 59-pound incendiary, loaded with fire (fagots but not fuel); and five hundred 30-pound chemical bombs (burning type C. H. & I. M.)

What does that mean?

Mr. YOUNG. Senator, is it in order that those prices be not quoted in the record?

Senator BONE. I think it is perfectly all right to delete prices. There is no harm in deleting the prices.[1]

The letter goes on to state:

> The above quotation is subject to a discount or commission of 20 percent. These prices are f.o.b. Pittsburgh.

Now, under date of August 11——

The CHAIRMAN. Let us get the record very clear as to W. R. Grace & Co. That is the Grace Steamship Line?

Mr. YOUNG. No.

The CHAIRMAN. Do they own the Grace Steamship Line?

Mr. YOUNG. I think there is an affiliation there. They are all housed in the same building. This is a merchandising company, I believe.

The CHAIRMAN. They own the Grace National Bank, of course?

Mr. YOUNG. I think it is the same affiliates.

The CHAIRMAN. Or are affiliated with its ownership. Why would these people be interested in obtaining quotations on smoke and incendiary bombs?

Mr. YOUNG. W. R. Grace & Co. are merchants who do business throughout Latin America and found as their customer these governments, interested in the purchase of this equipment.

The CHAIRMAN. You have done a very fine business with them, have you not?

Mr. YOUNG. We have considered them very good agents.

The CHAIRMAN. When did they become particularly active as customers of yours?

Mr. YOUNG. They became most active through Bolivia—the sale of equipment to Bolivia.

The CHAIRMAN. You mean within the last year or two?

Mr. YOUNG. Within the last 2 years.

Senator BONE. What are the Neill Federal Laboratories, or is this a wire signed by Mr. Neill?

Mr. YOUNG. That would be signed by Mr. Neill, the correspondent.

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[1] The prices appearing in "Exhibit No. 691" were deleted by permission of Senator Bone. (See appendix, p. 1882.)

Senator BONE. I am referring to a Postal telegram under date of August 11, 1932, addressed to Mr. Frank Jonas, in care of Export Consolidated Companies, New York, N.Y., which reads:

> See immediately J. B. Rios, of W. R. Grace Co., Hanover Square, New York, about aerial bombs and hand grenades. Refer to their inquiry of tenth sent to this office.
>
> NEILL FEDERAL LABORATORIES.

That was evidently in relation to some inquiry which they had made on that type of equipment.

(The telegram referred to was marked "Exhibit No. 692" and appears in full in the text.)

The CHAIRMAN. You say that they were your agents?

Mr. YOUNG. Yes, sir; we gave them an exclusive right to sell our product in these countries.

Senator BONE. What was your understanding with W. R. Grace & Co. with respect to commissions on this war stuff?

Mr. YOUNG. Briefly, it was explained in that letter. We gave them 20-percent commission.

Senator BONE. In a letter dated September 26, 1932, addressed to Mr. H. E. Metcalf, manager W. R. Grace & Co., Hanover Square, New York, N.Y., from the Federal Laboratories, Inc., there appears one line which I want to place in the record. The entire letter will be appropriately numbered.

(The letter referred to was marked "Exhibit No. 693" and is included in the appendix on p. 1882.)

Senator BONE. The line of that exhibit to which I wish to direct your attention is as follows:

> It is understood that you and Mr. Jonas have arranged between you as to his position in the picture.

Had Mr. Jonas arranged the commissions which were to be paid to the Grace people for sales which they might consummate?

Mr. YOUNG. It came in under his direction.

Senator BONE. There is an ink notation on the bottom of the letter, which states:

> It is understood that you get 5 percent on the list——

initialed J.W.Y.

I presume that is your memorandum.

Mr. YOUNG. That bears out the previous statements. Mr. Metcalf does not get that, but Mr. Jonas gets the 5 percent.

Senator BONE. Can you enlighten us any further as to your relations with W. R. Grace & Co., other than you have already given us?

Mr. YOUNG. I think that covers it.

Senator BONE. I call your attention to a letter dated October 14. 1932, to your agents, Leon & Bonasegna, in Argentina, this letter being written by Mr. Jonas. I will ask that that be appropriately numbered as an exhibit.

(The letter referred to was marked "Exhibit No. 694" and is included in the appendix on p. 1883.)

Senator BONE. I would direct your further attention to a paragraph toward the bottom of the letter, which reads:

> The Bolivian Government has made purchases of army equipment through Grace & Co. and this morning the same company called up and asked for quotations on demolition bombs. * * *

> I have quoted them on chemical bombs and they are forwarding these quotations. If we could sell some of these, we could make a good profit, as there is only one other competitor in the States.

That being, I take it, the Lake Erie concern?

Mr. Jonas. Yes, sir.

Senator Bone. I believe I understood you to say that Grace did not represent you in Peru. Is that correct?

Mr. Young. We had negotiations on that, but never turned it over to them finally.

Senator Bone. I call your attention to a letter dated the 8th of August 1933, written by Mr. C. W. Rich, addressed to Leon & Bonasegna, in Buenos Aires. I will ask that that be appropriately numbered.

(The letter referred to was marked "Exhibit No. 695" and is included in the appendix on p. 1883.)

Senator Bone. That letter reads, in part, as follows:

> Gentlemen: Thanks very much for your letter of July 26th, informing us in detail of your conversations with the police inspector in Buenos Aires and the Peruvian Ambassador. This cooperation, you may be sure, is very much appreciated, and we only regret that we are unable to authorize you actually to close any business that may be in the offing for Peru. W. R. Grace & Company is representing us in Peru, and, of course, you will understand that this makes it impossible for us to sell through other channels.
>
> We informed W. R. Grace, however, of your activities with the Peruvian Minister in Buenos Aires, and they are following through strongly in Peru.

Would that enlighten us any further?

Mr. Young. That was a short period before De Rossi was appointed.

Senator Bone. What were the activities of Messrs. Leon & Bonasegna with the Peruvian Minister in Buenos Aires? Of what did their activities consist?

You say:

> We informed W. R. Grace, however, of your activities with the Peruvian Minister in Buenos Aires * * *.

Mr. Rich. Will you permit me to answer that?

Senator Bone. Yes, sir.

Mr. Rich. The activities down there consisted, as I understood from them, that, I believe, the diplomatic officer from Peru requested their Ambassador to investigate the activities of the Buenos Aires police in the use of tear gas; and when they undertook to investigate its use and general efficiency, they called in Mr. Leon, who was the most expert in the use of gases, and the one who had successfully introduced it into the Argentine.

Senator Bone. It was Leon & Bonasegna, then, who were able to introduce the use of this gas into the Argentine?

Mr. Rich. I believe that is correct.

Mr. Jonas. They were the people; yes, sir.

Senator Bone. Mr. Young, have you a plant in Gibbstown, N.J.?

Mr. Young. May I look at the reference?

Senator Bone. Yes, sir. Here is a letter, dated September 6, 1933, addressed to W. R. Grace & Co., from the Federal Laboratories, where you are quoting on fragmentation and demolition bombs. I will offer that as an exhibit to be appropriately numbered.

(The letter referred to was marked "Exhibit No. 696" and is included in the appendix on p. 1884.)

Senator BONE. In that letter you state, in part, as follows:

> I wish to confirm our telephone conversation of today. We can furnish at Gibbstown * * * on September 16th the following bombs, provided we receive the order by noon September 7th.

Mr. YOUNG. That is a point for loading freight boats with TNT bombs.

Senator BONE. Again, on October 2, 1933, Leon & Bonasegna wrote a letter to Mr. Jonas, which I will ask be marked as an exhibit.

(The letter referred to was marked "Exhibit No. 697" and is included in the appendix on p. 1884.)

Senator BONE. In that letter they state, in part, as follows:

> Further to your recent letter regarding our releasing Chile, due to the fact that Grace & Co. are interested in working that territory, we do not feel that we would like to release this territory for the time being at least.

So that evidently at that time Grace & Co. were working for you in Chile.

Mr. JONAS. Neither of them have secured any business in Chile that I can recall.

Senator BONE. What connection did anyone in the W. R. Grace & Co. firm have in Bolivia—that is, in an official way—this year?

Mr. YOUNG. This year?

Senator BONE. Yes, sir.

Mr. YOUNG. Their agent was appointed as minister of defense for a period of about 3 months, I believe.

Senator BONE. That is, the agent of W. R. Grace & Co. in Bolivia was appointed minister of defense. Now, under date of April 26, 1934, Mr. Rich, of your staff, is writing you relative to a conversation of the preceding day concerning rumors that the American Armament Co. had obtained "that big Bolivian order", as he speaks of it. I will ask that that letter be appropriately marked.

(The letter referred to was marked "Exhibit No. 698" and is included in the appendix on p. 1885.)

Senator BONE. Mr. Rich states:

> I sounded out Mr. Metcalf, of Grace & Company, and he cabled La Paz. He just called up, saying, "That he had received a cable reply informing him that they did not expect any action to be taken until the President's return from the front."

What front was that?

Mr. YOUNG. The battle front.

Mr. RICH. The Chaco front.

Senator BONE. The letter continues, in the last paragraph:

> Mr. Metcalf had the information, and while he does not want to say anything definite at this moment, nevertheless their general manager in La Paz is about to assume a very important position about May first, which will bring him immediately in touch with the President. No doubt we will hear more definitely about this in the near future. In the meanwhile, of course, you will keep this dark.

Of course, you expected, through this Grace connection, to be right up close to the powers that be in Bolivia, and naturally you would?

Mr. YOUNG. No; on the contrary, Grace & Co. tried to keep that appointment from being made, for the position in which they put the agent, Mr. Tellez, he was unable to purchase from W. R. Grace, and during the period he was minister of defense Grace got no business and the American Armament got it.

Senator Bone. Who handles the shipping of munitions that are sold to or through Grace?

Mr. Young. Grace.

Senator Bone. Were they shipped on vessels of their own line?

Mr. Young. I do not know whose line they were shipped on. They take care of the shipment.

Senator Bone. You have no doubt how they were shipped, have you?

Mr. Young. Yes; they were shipped on regular freight boats.

Senator Bone. Do those boats go through the Panama Canal?

Mr. Young. That I do not know.

Senator Bone. Do you know whether they were shipped on American lines or foreign lines?

Mr. Young. That I do not know.

Senator Bone. What lines do you use in shipping stuff to South America, to the west coast?

Mr. Young. Perhaps you can answer that, Mr. Rich.

Mr. Rich. To the west coast?

Senator Bone. Either coast.

Mr. Rich. To the west coast I believe that the Grace line is the usual line to ship down there on.

Senator Bone. What about to the east coast?

Mr. Rich. The east coast? We have not shipped any of those materials at all to the east coast, which I recall.

Senator Bone. Here is a letter dated June 8, 1932, signed by Mr. Young as president and addressed to Mr. Frank Jonas, which I will ask be appropriately numbered.

(The letter referred to was marked "Exhibit No. 699" and is inincluded in the appendix on p. 1885.)

Senator Bone. That letter reads, in part, as follows:

> Replying to your letter of June 7th, we are pleased to quote the Cuban Government on the following equipment.

And then there is a long quotation of different materials with commissions running 10, 20, and up to 35 percent, 35 percent on long-range tear-gas cartridges and the like, and 20 percent on bombs and rifles.

You state in this letter, under the postscript:

> Cuba has a price list of our equipment. It is safe to jump prices ten percent without getting your customer in trouble. I am going to let you and your customer add your ten percent and where it is possible to do so we will cover you; where it isn't, I believe it will be necessary for you to work it out some other way. It would be so much better if we could discuss it than it is to write a letter before I know what we are up against on government prices.

Is it safe to jump prices down there?

Mr. Young. I think this is the same order which we discussed this morning with Demestre, or yesterday.

Senator Bone. You say:

> Our firing mechanism is the propeller type——

That is on your incendiary bombs—

> similar to that in use by the Government.

You mean our Government?

Mr. Young. Where is that referred to?

Senator BONE. That is in the last little paragraph before your signature.

Mr. YOUNG. Yes; that refers to our Government.

Senator BONE. There is a reference here to a bomb called the "Bouncing Betty." What kind of a bomb is that?

Mr. YOUNG. I am told that that has not been released by our Government and it is a secret war bomb.

Senator BONE. So Uncle Sam is still hanging onto the "Bouncing Betty"?

The CHAIRMAN. Do you know what private rights exist in connection with that particular product?

Mr. YOUNG. The "Bouncing Betty"?

The CHAIRMAN. Yes. Do you know what it is?

Mr. YOUNG. No; I am not familiar with it.

The CHAIRMAN. Are you prepared to produce it?

Mr. YOUNG. No, sir. We have been asked not to.

The CHAIRMAN. That is not a product with which your company is at all familiar?

Mr. YOUNG. No.

The CHAIRMAN. It is nothing which you developed?

Mr. YOUNG. We were requested not to manufacture or sell the bomb.

Senator BONE. Do you know how it is made?

Mr. YOUNG. I think the War Department will probably want to discuss that themselves. They have said it is confidential information. I stopped there.

The CHAIRMAN. But it is not something which was perfected or discovered in your own laboratories?

Mr. YOUNG. Not that bomb; no, sir.

Senator BONE. Who is Byer & Co., of New York? Mr. Jonas, you can probably tell us about that.

Mr. JONAS. A commission house, sir.

Senator BONE. That is a commission house?

Mr. JONAS. Yes, sir.

Senator BONE. To whom do they sell?

Mr. JONAS. They export all over the world, I guess. It is not on bombs alone. I have never had an inquiry before or since from them.

Senator BONE. They sell to any outfit in the world who wants to buy the stuff?

Mr. JONAS. General merchandise. It is an inquiry which they had, and nothing ever came of it.

Senator BONE. I am referring to a letter under date of January 19, 1933, from you, Mr. Jonas, to Byer & Co., Inc., 120 Liberty Street, New York, N.Y., which I will ask be appropriately numbered.

(The letter referred to was marked "Exhibit No. 700" and is included in the appendix on p. 1886.)

Senator BONE. They asked you for quotations and prices on a lot of stuff, and you wrote this letter dated January 19, 1933, stating:

> Confirming our conversation with reference to quoting you on the following material. The quotations and deliveries I can make are as follows: 2,000 Springfield 30.06 Government rifles and bayonets, $24.50.

Do you have those in stock?

Mr. JONAS. No, sir; I have not. Sedgley gave me a list of stuff which he had.

Senator BONE. It would have been bought from Sedgley?

Mr. JONAS. Yes, sir.

Senator BONE. Where does he get such a vast number of rifles?

Mr. JONAS. I do not know, sir, but I think he buys these from the Government at Government sales.

Senator BONE. Does the Government sell these rifles?

Mr. JONAS. I presume they do.

Senator BONE. He could not get Springfield rifles and bayonets from the Government unless the Government sold them, could he?

Mr. JONAS. No, sir.

Mr. YOUNG. There were surplus sales of those rifles following the war, Senator.

The CHAIRMAN. This might have been second-hand material.

Mr. JONAS. Undoubtedly.

Senator BONE. That letter further states:

> Deliveries can be made 100 a week. The terms requested on these rifles are 25 percent with the order and the balance on an irrevocable letter of credit; payment against documents after each shipment.
>
> The prices on the 100 Thompson guns will be as follows:

That is the Thompson submachine gun?

Mr. JONAS. That is the Thompson submachine gun; yes; sir.

Senator BONE (continuing reading):

> On the 21–A, $175 f.o.b. New York.
>
> On the 21–AC, with Cutts compensator, $200 each.

That is a gun similar to the one we had the model of here?

Mr. JONAS. Yes, sir.

Senator BONE (continuing reading):

> If there is no agent in the country to which these goods will be shipped the discount will be approximately 15 percent on these prices.
>
> One million 150-grain United States Government 30.06 cartridges, $28 per M.

Does the Government manufacture those?

Mr. JONAS. No, sir; that is manufactured by Remington Arms or Winchester.

Senator BONE (continuing reading):

> Deliveries: 100,000 first week, 100,000 second week, 200,000 each week thereafter until order is completed. In other words, delivery in six weeks.
>
> .45 caliber ammunition, $15 per M. Deliveries: 100,000 at once, 100,000 first week, 100,000 second week, 200,000 each week thereafter, making total delivery of a million in 5 weeks.

Can you tell us, Mr. Jonas, or have you any idea, where this shipment might have been going had it ever been consummated?

Mr. JONAS. No deal which I know of was consummated. Just as I said before, Senator, this was one of the rainbows.

Senator BONE. If they did not get this from one of these parties, the parties wanting the guns might have gotten them somewhere else?

Mr. JONAS. They might have gotten them somewhere else.

Senator BONE. Do you know Soley in England, Mr. Young?

Mr. YOUNG. All I know about Soley is what I learned from this investigation.

Mr. JONAS. I know the man.

Senator BONE. Has the San Salvador Government been buying munitions in recent months?

Mr. JONAS. I do not think they bought any cartridges—yes, they bought some cartridges recently from the Remington Arms, a small shipment, but they bought a lot in Europe.

Senator BONE. They have been buying bombs, too?

Mr. JONAS. Yes, sir; they bought some bombs from us. It was about a year ago, I guess.

Senator BONE. Under date of July 6, 1933, there is a letter from you, Mr. Jonas, to the Remington Arms Co., Bridgeport, Conn., enclosing an order from the Auto Ordnance Corporation. What outfit is that?

Mr. YOUNG. That is the Thompson Machine Gun Co.

Senator BONE. That is the Thompson Machine Gun Co. These are for the police department.

I will ask that that exhibit be appropriately numbered.

(The letter referred to was marked "Exhibit No. 701" and is included in the appendix on p. 1887.)

Senator BONE. That letter, in part, reads as follows:

> I have today received an order from Honduras for a quantity of bombs. This is being shipped by Baltic Shipping Co. This company are also agents for Dada-Dada, of San Salvador, who are doing a great deal of buying for the San Salvador Government and who have recently placed an order for $14,000 net for bombs and have also placed an order with Curtiss-Wright for $56,000.

Then the letter continues:

> They state that Dada-Dada have requested price on revolver and rifle ammunition and have asked me to quote.

What was going on in San Salvador at that time?

Mr. JONAS. Nothing, except the regular army equipment.

The CHAIRMAN. Who is Dada-Dada?

Mr. JONAS. He is an agent for various manufacturers, Curtiss-Wright and Colt.

Senator BONE. Under date of March 6, 1933, you, Mr. Jonas, are writing to Sedgley. Is he the one to whom Senator Vandenberg referred yesterday as "Sidewalk Sedgley"?

Mr. JONAS. Yes, sir.

Senator BONE. I will ask that that letter be appropriately marked.

(The letter referred to was marked "Exhibit No. 702" and is included in the appendix on p. 1887.)

Senator BONE. In this letter you say:

> I have an inquiry for 750 Lewis machine guns and 10,000 Springfields, which seems incredible, but nevertheless I have to follow it through.

Where did you get that inquiry?

Mr. JONAS. It was just one of those rainbows. I do not remember.

Senator BONE. You are unable to inform us about that?

Mr. JONAS. I do not know. It might have been a Chinese inquiry. I do not know.

Senator BONE. The letter continues:

> Have you as yet written to the B.S.A. people——

Who are they?

Mr. JONAS. British Small Arms.

Senator BONE (continuing reading):

> In England to find out if you can get quotations on Lewis guns in bond here?

How are guns held in bond in England?

Mr. JONAS. I do not know. I have been told that guns are held in bond in England and Belgium, these guns, but I have never been able to trace any.

Senator BONE. What is meant by being "held in bond"?

Mr. YOUNG. May I reply to this, Senator?

Senator BONE. Yes, sir.

Mr. YOUNG. It is reported to me that all surplus or obsolete armament of those countries are put in bond, and the commercial agents are permitted to sell it, take it out of bond, as they get the orders.

Senator BONE. There is an agreement here between——

The CHAIRMAN. Just a moment. How did you read the last word of that letter, Senator?

Do you think that is a misprint in the letter?

Senator BONE. Is it "there" or "here"?

Mr. JONAS. It is "there."

Senator BONE. I read it "here."

Mr. JONAS. No.

Senator BONE. It does refer to England?

Mr. JONAS. Yes, sir.

Senator BONE. I will ask to have at this time an agreement dated September 15, 1933, between the Federal Laboratories, a Delaware corporation, and Frank S. Jonas introduced as an exhibit and properly marked and filed. It has to do merely with commissions and it is not necessary to read it.

(The agreement referred to was marked "Exhibit No. 703" and is included in the appendix on p. 1887.)

The CHAIRMAN. What commissions, Mr. Jonas, are usual and are generally found in this line of work?

Mr. JONAS. Five percent. I am speaking of for export.

Mr. YOUNG. I think the schedule is given on there, Senator. That agreement, Senator, includes the entire schedule there of the commissions Mr. Jonas received and what he should pass on to his agents.

The CHAIRMAN. That particular contract, then, speaks very generally, does it, of the practice that is followed?

Mr. YOUNG. Yes; it does.

Senator BONE. Mr. Jonas, do you have frequent disagreements or disputes with your agents over their commissions?

Mr. JONAS. I have had disagreements with them; they want more commission. How do you mean—with my agents abroad?

Senator BONE. Well, with all of your agents in South America.

Mr. JONAS. Well, they are always trying to get more than we are giving them.

Senator BONE. Are any of them satisfied with the commissions that they get?

Mr. JONAS. I beg your pardon?

The CHAIRMAN. Senator Bone asked if any of them are satisfied with the commission arrangement?

Mr. JONAS. They are always kicking for more, sir; no, they are not satisfied.

Senator BONE. Going back to the letter that was referred to this morning and read into the record, where Mr. Young writes to Mr. Leon, there was not any doubt in your mind when you wrote that letter that those men were men of integrity and ability, as you indicated there.

Mr. YOUNG. Senator, in a business correspondence like that, you have got to be as courteous as possible, particularly in dealing with a Latin; you have got to be as courteous and polished as you can. You are talking with him face to face, where he can read the expression on your face; you might talk much more frankly. But when he is 3,000 miles away and reading the letter and you want to scold him, you want to do it as nicely as you can.

Senator BONE. You were not scolding him there. You were telling him that you thought he was a man of ability and integrity. You meant that, did you not?

Mr. YOUNG. Yes.

Senator BONE. Under date of November 21, 1932, Mr. Leon writes a letter to Mr. Jonas, which I offer in the record as "Exhibit No. 704."

(The letter referred to was marked "Exhibit No. 704" and is included in the appendix on p. 1889.)

Senator BONE. He says:

> DEAR FRANK: I have just finished having an interview with Francis Love, of the United Aircraft, and while it is true that for several reasons he finds it prudent not to make any arrangement with us, due principally to the fact that both the Army and Navy have always purchased direct and do not care on this class of equipment to work thru an agent, still my interview with Love has been very fruitful, as he has given me a lot of information by word of mouth that perhaps you could not have written or would not have cared to write.

Mr. YOUNG. Senator, is it necessary to bring in these personal discussion? Might we eliminate that?

Senator BONE. Eliminate what part of it?

Mr. YOUNG. A personal discussion with Mr. Love.

Senator BONE. There is not a great deal of this.

Senator CLARK. We have already examined Mr. Love with reference to it.

Senator BONE. Mr. Love has testified fully and clearly about his relationships down there. This letter continues:

> He has given me all the inside information not only regarding your troubles with the Federal, but also what kind of an outfit they are.

Evidently Mr. Love is not cherishing a very high opinion of you or of your company.

> He has further given me a lengthy word picture of what the Lake Erie crowd amount to.

Evidently Mr. Love of the United Aircraft Corporation did not have a very high opinion of either your company or the Lake Erie crowd.

Senator CLARK. And he was dealing with both of them at the time.

Senator BONE. And he was where he could see them and talk with them personally.

Mr. YOUNG. Does not this really show a bias on Mr. Love's part, recommending Lake Erie?

Senator Bone. This says:

> He has further given me a lengthy word picture of what the Lake Erie crowd amounts to.

What do you infer from that language?

Mr. Young. I infer that he was knocking one and boosting the other for his own interest.

Senator Bone. We will go on with the letter:

> Last but not least he tells me that you are undecided as to the advisability of taking on the Lake Erie and throwing down the Federal.
>
> From what Love tells me the Federal outfit do not seem to be straight shooters; of course, he has told me this confidentially. * * *

This is Mr. Leon talking, remember.

> He further advised me just how and who make up their products. From the information that he gave me I gather that the profit on all this material is enormous, and that all that Young says in his letters regarding there being no profit in it for him is pure bologne.

Mr. Young. Senator, I protest that——

The Chairman. Where is that letter written from?

Senator Bone. From Buenos Aires.

Mr. Young. The committee investigators have had an oportunity to look into our profits. There is being quoted here and on the record an opinion of a third party who was biased and advocating the product of a competitor and trying to discredit us, and this is being put on the record as though it were a fact.

Senator Bone. We are trying to get a picture of the munitions business and what the munitions people think of one another might be interesting to the public.

Mr. Young. The fact is that the man shows his lack of accurate information by saying that the profits are so enormous, as shown when you compare the small profits that we make with what I heard of the United Aircraft profits. Compared with those, we are certainly pikers.

Senator Bone. One would not have to work on his imagination very hard to agree with you on that particular point. But let us continue with the letter.

> If this is true, then my opinion is that we were getting bilked when we were advised that only 10-percent commissions would be paid on the police business, but it confirms what my personal opinion was.
>
> We have done, and are doing, a lot of work for the Federal. At present I have before me an order ad referendum for one of the Provinces for approximately $2,500, which should be closed this week. I have several other businesses on the pan, and it does not seem fair to me that we should continue working as intensively as we have on the outlook for future business that will repay us for the spade work, if we are not going to get a fair shake, and I would like to have you tell Young just exactly how I feel about the entire proposition. If it is true that we have been able to introduce Federal material in this country, we can just as easily kill it and work some other line. The agent for the German Bergman machine gun, as well as the exclusive representative for a large German gas factory, which makes a similar line to the Federal or Lake Erie, has been after us for 6 months or more to drop our American line and take on the German one. He can do nothing with it but he knows we can. We want to play fair with you and we want to play fair with the factories we represent through you, but we also ant fair play from them.
>
> Among other things we talked about, Love confirmed what our agent in Bolivia wrote us about last week, and which is that the Federal Laboratories through Grace has sold Federal Laboratory material to the Bolivian Government. We

are giving you this information in case you do not know it in order that you may claim from Young the value of our commission. There's no reason in the world why we should have worked for a solid year, made a trip to Bolivia, and did all of the initial work, if we are not to profit by the business once it is commenced. It is very important that you look into this matter as it's something that interests both you and ourselves, not only from a standpoint of dollars and cents, but from a standpoint of business policy. If this has actually happened, then with the same judgment, if the Argentine Army were to order direct from the Federal Laboratories tomorrow we would be cut out of our commissions.

I wish you would write me plainly and explicitly with respect to the entire proposition as your reply to this letter will serve as a base for the work which we are now doing and contemplating doing. We are working on two big deals—one in Uruguay and one in the Province of Buenos Aires—and it would be suicide for use to continue the work compromising ourselves to certain commission arrangements if we are not to be fully protected.

How was he compromising himself to certain commission arrangements?

Mr. YOUNG. Senator, I think it is funny—as you will notice, Mr. Leon's letters are always crying about the fact that he has certain obligations, that he must have more commission or he will go with a competitor firm. He is still with us and crying for more territory. I think it is a salesman's letter putting up the best argument that he can find to try to chisel more commission for himself.

Senator BONE. Here is his side of the story:

It seems that every time we write the Federal Laboratories on a matter of business policy that they always shoot from some different angle and never come down to anything concrete which is absolutely necessary in all business arrangements.

Mr. YOUNG. In other words, we never give him more commission, which he is asking for.

Senator BONE. How long had he been representing you down there?

Mr. YOUNG. I would say since back in 1930 or 1931.

Senator BONE. You have had a long experience with him?

Mr. YOUNG. 1929, I think.

Senator BONE. Now Mr. Jonas, writing Mr. Leon on May 26, 1932, has this to say—and I offer this letter for the record as "Exhibit No. 705."

(The letter referred to was marked "Exhibit No. 705" and is included in the appendix on p. 1890.)

Senator BONE. This letter reads:

I was very pleased to receive your letter of 27th ultimo giving me the information I desired regarding the status of the tear-gas situation. I sent this letter on to Young and this morning received copies of two letters he had written—one to you and one to the Minister of War. The man is an idiot and I cannot understand why he should have done this.

Senator CLARK. Who is that?

Senator BONE. Mr. Jonas is telling Mr. Leon that the man is an idiot, referring to Mr. Young.

His letter to you giving you advice as how to act is the most presumptuous thing I have ever read and I would suggest that you write him telling him that you can run your own affairs in the future. I have a contract for two years more and as long as I have an agreement you will have one if you care to continue.

It is quite apparent from this Mr. Jonas was thoroughly sold on the idea that Mr. Leon was a very capable man and knew his business.

Mr. Young. I will let Mr. Jonas answer that letter. I think that is one for him to answer.

Senator Bone. I think it would be in order for Mr. Jonas to make it more plain, to try to illuminate it a little, if he can.

Mr. Jonas. I was criticizing the type of letter that had been written, I think at the time. I cannot just recall now.

Senator Bone. Mr. Jonas goes on to say:

> Young has been doing some good business up here and it has gone to his head. His letter to the Minister of War will probably find the waste basket. I am today writing to Young to leave matters of this kind entirely in your hands.

Did you write your chief telling him that hereafter he ought to leave it in Mr. Leon's hands?

Mr. Jonas. I criticized the letter that Mr.. Young wrote to the Minister of War; the style of letter that he wrote. I do not know that we have got a copy of it here.

Senator Bone. Now, showing that you thoroughly appreciate Mr. Leon's ability and his judgment, you add this:

> If you can use me up here for purchasing anything or representing you in any way, you can rest assured I will give it the best attention.
>
> With regards and the best of wishes, I am,
>
> Sincerely,
>
> * * *

Then you add a postscript:

> How about Thompson guns? Is there anything doing?

A cheerful sort of a letter.

Now we have a little more light, and a little more heat along with it, from Buenos Aires under date of June 18, 1934, which is a letter from Mr. Leon to Mr. Jonas, which I offer as "Exhibit No. 706."

(The letter referred to was marked "Exhibit No. 706" and is included in the appendix on p. 1891.)

Senator Bone. Apparently he is still a member of the organization.

The Chairman. Whom is he writing to now?

Senator Bone. Mr. Frank Jonas, of New York. He says:

> Dear Frank: Perhaps this letter will reach you on your return from your Central American trip.
>
> I do hope that your trip has been a success as all your trips are; furthermore, I hope that you have been behaving yourself?
>
> The object of this letter, apart from the fact that I always like to write to you, is to tell you that I had a long and interesting conversation yesterday with Frank Love.

That is the Mr. Love of the United, is it not?

Mr. Jonas. Yes, sir.

Senator Bone (reading):

> While we did not come to anything tangible, the fact remains that he called me up; that means to me that he always has me on mind and it is possible that some day we will get together.

That would be, I assume, a consummation devoutly to be wished if those two could get together.

> He again put particular stress on what a G. D. Fool our friend Young is, and confirmed your opinion about his preaching on a soap box and going around the corner selling armament.

Were you a minister at any time, Mr. Young.

Mr. Young. Not that I know of.

Senator **Bone**. Did you ever preach on a soap box?

Mr. **Young**. Not that I know of.

Senator **Bone**. Mr. Love evidently had the idea that you had done something of that sort.

The **Chairman**. Seriously, Mr. Young, is not this only one more evidence that in the field of those selling armaments there is little regard for one another?

Mr. **Young**. I think there is very little regard for one another. In the export business we find a vicious sentiment toward each other that you do not appreciate in this country.

Senator **Bone**. I know; but here is an American, Mr. Frank Love——

Mr. **Young**. But he is in that business; I say, he is in that business.

Senator **Bone**. You think it is the business that gives him that particular twist?

Mr. **Young**. I am not talking about Latin-America. I am talking about America now.

Senator **Bone**. When they get in the munitions business, they get that particular twist; is that it?

Mr. **Young**. I do not know if they get it after they get into the business, but the men who are in it seem to be very vicious toward each other.

Senator **Clark**. Mr. Love's company is not a competitor with your company, is it?

Mr. **Young**. Yes.

Senator **Clark**. In what line?

Mr. **Young**. Inasmuch as they are selling our competitor's products against ours. We considered Mr. Love a competitor.

Senator **Bone**. Now, Mr. Leon goes on to say as follows:

> He also went on to tell me about Young's hobby of brotherly love, etc., etc., and finished up by saying that he would not trust him as far as he could throw a bull by the tail.

Mr. Leon then goes on further in this entertaining letter:

> Things are very quiet here just now and, this being the case, the police do not use any gas, which means it is bad for us, because we cannot sell them goods when they have stock on hand; however, I am working on a scheme with the police which may bring about desired results. * * *

What were they going to do; stir up some trouble? What was the scheme your agent was working on that might bring some results, Mr. Young?

Mr. **Young**. I do not know.

Mr. **Rich**. Shall I answer that, Senator?

Senator **Bone**. Yes; we want all the light possible, if you can give it to us.

Mr. **Rich**. His plan was to develop a system of training for the police; a more intense system of training which would thereby automatically mean the use of more tear gas.

Senator **Bone**. Do they go out and spray this gas around in training? Or do they only use it when there are men in front of them?

Mr. **Rich**. I mean training in the operation of riot guns.

Senator **Bone**. They could throw a little bit of wood or throw a grenade that was not loaded. They would not have to throw the gas.

Mr. Rich. They probably would want to throw the entire grenade to see just how it worked, to see what effect it has, and how far-reaching the effects might be.

Mr. Young. Can I give an illustration to make that more clear to you, Senator?

Senator Bone. Yes.

Mr. Young. In Seattle, Wash., there were about 200 grenades thrown by inexperienced men. The results were nothing like those that they had in San Francisco where four men were the key to the situation. They were trained in the use of gas, and they handled a much larger problem.

It is necessary that men use their head when they are using gas just the same as when they do anything else.

Senator Bone. Do you think that the fellows out in Seattle who were throwing these gas bombs lost their heads?

Mr. Young. I do not think they knew what to do. They had not been trained in what to expect. They did not know how to use the wind currents. Wind is a factor.

Senator Bone. Are you attempting, through your organization, to correct that lack of knowledge in this technique out in Seattle?

Mr. Young. Yes; we are.

Senator Bone. You are working in Seattle now?

Mr. Young. We believe that there should be a limited number of policemen thoroughly trained in the use of it, and when the occasion comes, in the opinion of the city management to use it, then is when it should be called into action, by men who know how.

Senator Bone. What work are you doing in the State of Washington in teaching police forces to use this gas?

Mr. Young. I cannot answer that specifically.

Senator Bone. Just give us some general idea.

Mr. Young. Except that we were at one time putting on schools for the police department, a select group picked by the superintendent of police. That was done on the north Pacific coast. The dates and how it was handled, I am not familiar with.

Senator Bone. Was it done in Seattle?

Mr. Young. I think it was.

Senator Bone. In Tacoma?

Mr. Young. I can give you that from our records, if you are interested in it.

Senator Bone. I would like to have you give me that information; yes.

Mr. Young. I shall be glad to later.

Senator Bone. Did you work in Portland also?

Mr. Young. Yes.

Senator Bone. Are those departments using this equipment now? Are they well equipped now?

Mr. Young. I could not answer that from memory.

COMPETITION ENCOUNTERED IN LATIN AMERICAN BUSINESS

Senator Bone. Mr. Jonas, to digress a moment from these letters, I wish you would tell us a little, if you will—and I want you to be frank with us—about the competition that you get in your Latin American business. Mr. Young has painted a picture of the attitude of mind that men seem to acquire in the munitions business. I wish you would give us a little idea, if you will, of what sort of competition you run up against in South America.

Mr. JONAS. On what kind of lines?

Senator BONE. On the munitions business.

Mr. JONAS. On arms and ammunition or on general lines?

Senator BONE. Yes; and on gas, too. Take the arms and ammunition first. For instance, with both European and American competitors, what sort of competition do you run into down there?

Mr. JONAS. I find that we have a great deal of difficulty competing with European countries, because their prices are so much lower than ours. They have men stationed out there all the while. They spend more money in getting the business than we do, which makes it very difficult.

Senator BONE. How can they spend more money and still sell at lower prices?

Mr. JONAS. I presume because labor is cheaper in Europe. For instance, in France they sell practically all Government stuff. Orders are shipped from their factories. They have a society there that handles pretty nearly everything.

Senator BONE. What do you mean by Government stuff?

Mr. JONAS. The Government actually makes the sale through an agency that they have.

Senator BONE. The French Government itself gets into the picture and sells to a public French agency?

Mr. JONAS. Through a French agency.

Senator BONE. And that cuts down on the selling cost, is that it?

Mr. JONAS. They manufacture this stuff; that is the way I understand it.

Senator BONE. The French Government does not manufacture very much in the way of munitions, does it?

Mr. JONAS. Yes, sir; they do.

Senator BONE. They have the Schneider Works there.

Mr. JONAS. They have the Schneider Works, and there is the Societe Francais and other companies. I think there are more than just the Schneider Co.

Senator BONE. You think that they have large organizations; that is, organizations of European manufacturers?

Mr. JONAS. I think that the Government representatives help them more than Government representatives help us. For instance, they had a French mission in Brazil at one time. I was out there. They sold several million dollars worth of material from the French Government, and they actually had their offices out there all the while with the army and navy officials in Brazil.

The same thing has happened in several countries that I have been in. For example, in San Salvador they had General Mackensen's son from Germany. He was out there representing the manufacturer of some gun, a high caliber gun.

In Costa Rica the Italians were active. They brought down a sample of a very heavy caliber gun and in trying it out they pretty nearly blew away one of the towns.

Senator BONE. Does the Italian Government also interest itself in a friendly way in this business?

Mr. Jonas. I do not know about the Italian Government, but I imagine that they work along the same lines.

Senator Bone. The French Government is in the picture by having sold munitions in South American countries?

Mr. Jonas. Yes.

Senator Bone. And the British have done the same thing?

Mr. Jonas. No. The British have independent companies, independent factories; they have the Vickers Co. They work from their own factories. I do not think it is backed by the Government.

The Chairman. You mean that they have their own factories in South America?

Mr. Jonas. No armament factories. There are cartridge plants.

Senator Bone. Schneider-Creusot is not a Government factory in France. That is a private concern, is it not?

Mr. Jonas. That is a private concern.

Senator Bone. Schneider is one of the great armament makers of the world?

Mr. Jonas. Yes; but they in turn manufacture for the Government and the Government does the selling.

Senator Bone. Do you mean that the French Government itself actually becomes a broker and sells stuff for this private firm?

Mr. Jonas. This société does.

Senator Bone. Is that a fact, Mr. Rich?

Mr. Rich. That is what we understand.

Senator Bone. The French Government actually becomes a broker for the sale of war munitions?

Mr. Rich. Apparently they do, from the information that we get. That obtains for all classes and types of arms and all war materials, including airplanes, ammunition, guns.

Senator Bone. Armament of every kind?

Mr. Rich. Yes.

Senator Bone. So, in the sale of heavy ordnance, heavy field guns, 5-inch guns and 6-inch guns, we find the French Government actively interesting itself in that sale?

Mr. Jonas. Yes; and they get most of the business, as well as Czechoslovakia. Denmark is shipping a lot of stuff in.

Senator Bone. Denmark is?

Mr. Jonas. Yes. They have a big factory.

Senator Bone. Does the Danish Government interest itself in an official way in that?

Mr. Jonas. I think it is a subsidiary of Krupps.

Senator Bone. That creates a type of sales competition which we would not run into in other forms of business?

Mr. Jonas. No. You do in the steel business. But I do not know enough about that to talk about it.

Mr. Rich. The Montevideo police recently were in the market for quite a lot of equipment. We were advised that the British Ambassador had interested himself in the matter and personally had sent over a corps of detectives to England to train them over there at his own expense, at the expense of the Government.

Senator Bone. Which minister did that?

Mr. Rich. The British Minister.

Mr. Jonas. That was in Uruguay.

Senator BONE. So it may be safely said, then—and you will correct me if I am in error—it may be safely said that the sales efforts of the European munitions makers and munitions concerns, by and large, have behind them the sanction and the moral support of their governments; is that correct?

Mr. RICH. I should say it is.

Senator BONE. Do you agree with that too, Mr. Jonas?

Mr. JONAS. Yes, sir.

Senator BONE. Mr. Young, from your experience in South American countries, would you agree that that is a fair statement?

Mr. YOUNG. That is what I have heard. And I might add that I have also heard that most of the armies are trained by French or German or some other foreign officers.

Senator BONE. Who are sent into South America by their respective governments?

Mr. YOUNG. I do not know how they are sent in there, but I do know that they are very definitely favoring the purchase of European equipment.

Senator BONE. Now, getting down to the American competition field, Mr. Young has expressed himself as to the attitude of mind created by his business, but what do you find to be the outstanding factors of competition from the standpoint of your American competitors, Mr. Jonas? You do not have to give names and I am not asking you to draw invidious comparisons between companies, so I want you to be absolutely free in talking to us about it.

Mr. JONAS. I have heard criticism from competitors. and as a rule no salesman who knows his stuff would hardly criticize his competitor. He would rather stick to his own line.

Senator BONE. What methods are employed by American firms down there that you do not think are fair, for instance, and methods that had better be eliminated from the field of business?

Mr. JONAS. Criticizing his competitors' products.

Senator BONE. Do they all do that?

Mr. JONAS. Yes; I know of cases.

The CHAIRMAN. I thought you told us this morning or yesterday that the getting of business in a good many instances is dependent upon who bids the highest in the way of commissions to agents, agents of the Government, and others. Is that the case?

Mr. JONAS. Not in all cases, I would not say, Senator.

The CHAIRMAN. In a general way, do those Americans who are operating in the same field you are operating in down there, and in competition with you, use methods that are straightforward, and you have no difficulty?

Mr. JONAS. As a rule, the Americans I work with are straightforward. The Americans try to be straightforward.

Senator BONE. Who is Mr. Huber?

Mr. JONAS. Mr. Huber is with the Lake Erie Chemical Co.

Senator BONE. The Lake Erie Chemical Co. is the only American firm that is competitive with you?

Mr. JONAS. Yes, sir.

Senator BONE. In other words, they parallel your products?

Mr. JONAS. Yes, sir.

Senator BONE. Are they competitors in the world markets also?

Mr. JONAS. I believe so.

Senator BONE. Under date of December 27, 1932, you are writing Mr. Young from New York, and this letter I offer in evidence.

(The letter referred to was marked "Exhibit No. 707" and is included in the appendix on p. 1891.)

Senator BONE. You say this to Mr. Young in the letter referred to:

> Huber informed me today that our bomb fuse and Lake Erie's bomb fuse were sent to Picatinny Arsenal for a test, and the report was that Lake Erie's fuse was exactly as per Government standard specifications, while ours was not.

What is the Picatinny Arsenal?

Mr. YOUNG. The Picatinny Arsenal is in New Jersey.

Senator BONE. That is a Government arsenal in New Jersey, is it not?

Mr. YOUNG. Yes.

Senator BONE. This letter then reads further:

> Undoubtedly he is spreading this information around, so please investigate and advise me.

Is that one of the things you were referring to a moment ago, Mr. Jonas?

Mr. JONAS. As regards competition; yes.

Senator BONE. The letter proceeds further:

> During our conversation he also informed me that Goss had given him the New York City territory to work, with the exception of the New York police department, which Goss claims he has in the palm of his hands.

Who is Goss?

Mr. JONAS. He is president of the Lake Erie Chemical Co.

Senator BONE. Reading again, the letter says:

> He also volunteered the information that Goss received an order every 2 weeks from this department. Take this information for what it might be worth.

So, apparently the Lake Erie group said they had the New York police department in the palm of their hands.

Mr. JONAS. That is what I was told.

Senator BONE. Is the territory divided in this way: That you sell to the New York State police and they sell to the New York City police department?

Mr. JONAS. I have nothing to do with the domestic business.

Senator BONE. Well, Mr. Young, is that the way is was—that you sold to the New York State police force and Mr. Huber's group sold to the New York City police department?

Mr. YOUNG. You are again trailing Mr. Love with the mark that usually follows behind him from his correspondence, and I think this is sales talk again. I know the New York police department have purchased gas from other people besides the Lake Erie Co., and I am sure they do not buy gas once a week; but they probably buy it once or twice a year.

Senator BONE. Who else do they buy from?

Mr. YOUNG. They buy from ourselves and in addition to ourselves they have the B. & T. Munitions Co., who we understand had an order from them, but I don't think they have filled it.

Senator BONE. Where are they?

Mr. YOUNG. They are in New York City. That is the one we discussed a while ago.

Senator BONE. Under date of February 8, 1933, Mr. Young, you wrote to Mr. Jonas, which letter I offer as an exhibit.

(The letter referred to was marked "Exhibit No. 708" and is included in the appendix on p. 1892.)

Senator BONE. You say in this letter referred to:

> I received a letter from my brother Paul, and I am passing on for your consideration a portion of the letter:
>
> For the past few weeks there has been a fellow here by the name of Coleman, representing the Erie Tear Gas concern.

Mr. YOUNG. That again is a statement, and all I have is that the statement was made here.

Senator BONE. No; you are making this statement.

Mr. YOUNG. I am quoting the letter.

Senator BONE. You are quoting the letter of your brother Paul.

Mr. YOUNG. Yes.

Senator BONE. When he says "here", where was he?

Mr. YOUNG. He was at that time in Ecuador.

Senator BONE. Your brother Paul was in Ecuador, and he was telling you that a fellow named Coleman, representing the Lake Erie Chemical Co. was down in that country, and that he had no scruples about paying something to get his contracts through. Did you believe your brother?

Mr. YOUNG. Yes.

Senator BONE. You believed your brother, did you?

Mr. YOUNG. Of course.

Senator BONE. And you are writing to one of your officers, telling him about this?

Mr. YOUNG. Yes.

Senator BONE. And the letter continues:

> So it looks as if he might cash in on the missionary work we have been doing.

What does the next name, Sotomayer y Luma, mean?

Mr. JONAS. That is the Spanish name of the person he refers to.

Senator BONE. What was your brother Paul doing in Ecuador, Mr. Young?

Mr. YOUNG. He is a missionary.

Senator CLARK. He does more than one kind of missionary work.

Mr. YOUNG. My brother Paul was not working for me, but John Reed was.

Senator CLARK. He says this fellow Coleman and the Lake Erie group—

> might cash in on the missionary work we have been doing.

Mr. YOUNG. My brother has nothing to do with me.

Senator CLARK. What does he mean by "missionary work we have been doing"?

Mr. YOUNG. What your brother would probably have reported to you in your campaign, when he is interested in your work. It is purely a family relationship, and no business relationship whatever.

Senator CLARK. He was doing missionary work for your company, according to his own statement.

Mr. YOUNG. That would be a family expression, in social conversation, as we are brothers. He did talk to some of the Government officials whom he would know personally, but there was not even a question of paying him any commission. That might be clarified if I would give an illustration which he went through about that time or previous to that when there was an attempted revolution in Quito and they shot and killed over 1,000 people in about 2 days. My brother was in Quito at the time, and he called on the President and told him that tear gas would have saved a situation like that.

Senator CLARK. That was the missionary work he was worried about the Lake Erie Chemical Co. cashing in on.

Mr. YOUNG. That is all I would know of it.

Senator BONE. Now, under date of March 8, 1934, Mr. Young, you were writing to Mr. de Rossi; who was he?

Mr. YOUNG. Our Peruvian agent.

Senator BONE. We offer this letter as an exhibit.

(The letter referred to was marked "Exhibit No. 709" and is included in the appendix on p. 1893.)

Senator BONE. You say to Mr. de Rossi:

> I am in receipt of a very interesting report from W. R. Grace, giving the final set-up of prices in which the U.S. Ordnance & Engineering Co. (another name for the Lake Erie Chemical Co.) are quoting $83,000, while their agent, Mr. Tobin, is quoting $104,000.

As you say, the U.S. Ordnance & Engineering Co. is another name for the Lake Erie Chemical Co.

Mr. YOUNG. Yes, sir.

Senator BONE. Then the letter proceeds:

> You will here see an example of the character of these people when they will double cross their own agent.

I want to pause a moment to say when I asked Mr. Jonas and Mr. Young to give us some little picture of this I had something of that kind in mind, as you seemed to confine your statements to the fact they misrepresented your product, or lied about it.

Mr. YOUNG. Senator, I have a little bit of sportsmanship in me, and I can inform my agent of things he must look out for, and I owe him the duty to do that, but to spread those things to the public you can see what you would think about me, and I do not want to be put in a position of trying to exploit the weakness of my competitor even under the advantage of a Senate investigation.

Senator CLARK. You need not worry about that, Mr. Young. Tomorrow we will have the same things here said about you.

Senator BONE. If you gentlemen could look over the file you would have no objection to telling the truth, and I think if you would read the files you would lose all of your scruples right here; but there is something that you ought to realize, and that is that no munitions business, I think, in the whole world can now be said to be a private business. Any business that is built around life-destroying instrumentalities cannot be said to be a private business. We have taken utilities out of the realm of private business and it is now a public business, and we are regulating them. Certainly death-dealing instrumentalities are in no different position, but the trouble is the munitions business has felt it could do as it pleases and nobody could do anything about it. Not long ago 10,000,000 people were killed in a war, and witnesses such as you gentlemen tell us if we had another war like that we would not have any civilization. Don't you think a thing of that kind is of interest to the people, and that it is of interest to the people to know what that business is doing, whether it is causing more trouble; or do you take the position that it is strictly your business and we have no right to inquire? Do you have a small boy?

Mr. YOUNG. I do.

Senator BONE. Do you gentlemen have boys? If you do, just go home and look at your young boy and see whether the munitions business is a private business, and I think you will answer the question yourself.

Mr. YOUNG. I am in sympathy with what this committee is trying to accomplish. I think I can say you can have 100-percent backing from our company, and that my directors will back me up in that, but I think it can all be accomplished without washing dirty linen in a hearing of this kind. If the people of this country want legislation to control this, I will be very happy to work with you on that in any way I can, and not against you.

The CHAIRMAN. Mr. Young, there is already in part in the record a revelation of your deep interest in certain legislation, and you went so far as to say you felt you had sponsored it, yet the record reveals that your interest in that legislation of last winter known as the "gun-control bill" and your motives in sponsoring that bill from the record as it stands now and as will be made clear before we finish reveals that that interest was not prompted nearly so much from a desire to help in legislation to curtail crime as it was prompted by a desire to get rid of certain competition that was threatening and certain competition that existed.

By what right do you assume if we would undertake a legislative program without, as you put it, washing the dirty linen in public in a public hearing—why do you assume we would expect there would be whole-hearted cooperation of an unselfish sort by those of you who have profited so largely from what we are working out now?

Mr. YOUNG. Senator, your records are incomplete, and I will be glad to give you, when you have more time, a detail of what I did on that. I spent hours and hours and days working on that, and the bill as put through does not prevent competition. It is wide open, and we are not closing it to open competition but closing it to this bootleg selling, and I think if you will talk to Mr. Joseph Keenan, Attorney General, he will say we did try to help him.

Senator BONE. If there is a lot of dirty linen, do you think we ought to put it away and not bring it out?

Mr. YOUNG. I think if in its work this commitee does what it is intended to do, it will eliminate a lot of it.

Senator BONE. I think we have expressed to you before that we have no desire to harm you or to hurt you.

Mr. YOUNG. I think it is hurting, when you get the cooperation the committee wants.

Senator BONE. I do not think you will find anyone here says this committee has found anyone enthusiastically cooperating with it.

Mr. YOUNG. I am promising you that our company will.

Senator BONE. This letter, "Exhibit No. 709", reads further:

> There is one other card that you can play, if necessary, in order to secure this order, viz: We have some T.N.T. loading equipment which we are willing to loan to the Peruvian Government to fill this order. This would eliminate

the necessity of their paying $5,500.00; they would then only have (to) pay the transportation there and back, which should not exceed $500.00.

Did you make some bombs for the Government?

Mr. YOUNG. No; the Harrisburg Pipe Co., who manufacture our bomb forgings, have.

Senator BONE. I have here a letter where Mr. Jonas is in Panama and is writing to the Federal Laboratories, Inc., under date of June 15, 1934, which letter is offered in evidence.

(The letter referred to was marked "Exhibit No. 710" and is included in the appendix on p. 1893.)

Senator BONE. Mr. Jonas says:

> I called on the chief of police in Panama City and was surprised to learn that they had placed an order about three months ago with the Lake Erie Chemical Co. when Huber was down here for 6 machine guns, grenades, ammunition, and pineapples.

What are "pineapples"?

Mr. JONAS. That is a term used for grenades.

The CHAIRMAN. That is a term that came out of Chicago.

Mr. JONAS. I think they used it during the war.

Senator BONE. They are a fragmentation bomb?

Mr. JONAS. It is a hand fragmentation bomb.

Senator BONE. Or a hand grenade, in other words.

Mr. JONAS. Yes; a hand grenade.

Senator BONE. The letter further reads as follows:

> I asked him to permit me to see the machine guns which Huber sold them, and I received the shock of my life. The gun is an imitation Thompson as far as the barrel is concerned and the breech looks like a bicycle pump. There was no proper magazine for this gun. However, they were sold genuine Thompson magazines, which fit them perfectly. I asked the chief of police if he had tried these guns out, and he said he had not. I also asked him why he did not buy genuine Thompsons. He told me that Huber had told him that these were the latest type Thompson guns.

Then, further down in the letter, he says:

> As they had never tried out these guns, I urged the chief to try them out yesterday, but he was not able to do so because he was not feeling well. I told him that you would like to buy one of these guns and ship them a genuine Thompson instead. He is agreeable to this, so you can write him a letter upon receipt of this letter. The chief was very much peeved after I gave him this information and will probably make some trouble for Huber.

Then to the letter is added this postscript:

> P.S.: If you want this gun, write to Universal Export Corp. and they will attend to this matter. Have appointed them our agents. Address, Panama. R.P.

The CHAIRMAN. The committee will be recessed until 10 o'clock tomorrow morning.

(Thereupon, at 4 p.m., the committee recessed until 10 a.m., Thursday, Sept. 20, 1934.)

INVESTIGATION OF MUNITIONS INDUSTRY

THURSDAY, SEPTEMBER 20, 1934

United States Senate,
Special Committee to Investigate
the Munitions Industry,
Washington, D.C.

The hearing was resumed at 10 a.m., in room 310, Senate Office Building, pursuant to the taking of recess, Senator Gerald P. Nye presiding.

Present: Senators Nye (chairman), George, Clark, and Bone.

Present also: Stephen Raushenbush, secretary, and Donald Y. Wemple, investigator.

The Chairman. The committee will be in order.

TESTIMONY OF JOHN W. YOUNG, FRANK SHERIDAN JONAS, AND CARLETON W. RICH—Resumed

Mr. Young. May I make a correction, Senator, to one of the minutes?

The Chairman. Very well.

Mr. Young. There is a notation where I said I turned in all of the directors' meeting minutes prior to the reorganization. It should read for 2 years prior to the reorganization.

The Chairman. Very well. Senator Bone, you may proceed.

Senator Bone. Mr. Young, I believe on yesterday you testified that there are some bankers on your board. Is that correct?

Mr. Young. There is one banker on our board.

Senator Bone. One banker. Does he interest himself in your business?

Mr. Young. He is not a heavy stockholder.

Senator Bone. Does he interest himself actively in your business?

Mr. Young. I think his time is pretty heavily engaged with his own banking business.

Senator Bone. So that he just merely serves on the board without taking any active interest in the business?

Mr. Young. I would not say that. I would say he takes the normal interest of a director.

Senator Bone. Is he aware of what we have been discussing in this hearing, or does he care?

Mr. Young. I should say he would care. How much of it he is aware of, I do not know.

Senator Bone. Is he sufficiently interested even to inquire into what is going on?

Mr. Young. I should think so.

Senator BONE. I know, but you do not answer my question. You may think so, but does he do it? We are trying to get the facts.

Mr. YOUNG. Yes; he frequently does.

Senator BONE. What does he think of this business? I am curious to get the reaction of a banker toward the munitions business.

Mr. YOUNG. This banker happens to be a former military officer.

Senator BONE. That explains it. Let us not go into that further.

Mr. RAUSHENBUSH. Mr. Young, the record shows that there is more than one banker on your board, does it not?

Mr. YOUNG. No, sir.

Mr. RAUSHENBUSH. We have identified them, and there was more than one from banks or trust companies.

Mr. YOUNG. They are interested but not on the board.

Senator BONE. You would assume that a man serving in the Army would think the munitions business is all right. Do you think he has the complex of a banker or military man, or a little of both?

Mr. YOUNG. I think he has made a pretty good banker, but some of both.

Senator BONE. Who is Aiken Simons?

Mr. YOUNG. Aiken Simons is a friend of mine.

Senator BONE. What is his business?

Mr. YOUNG. He has worked for the du Pont Co.

Senator BONE. What is he doing now?

Senator CLARK. Is he the same man who appeared in the record last week as representing the du Ponts in various departments?

Senator BONE. Yes, sir. What does he do? That is the fellow.

Mr. YOUNG. He works, Senator, with Major Casey.

Senator BONE. Were you here last week when a letter of Mr. Simons was put in the record, a letter written to you?

Mr. YOUNG. No; I was not here.

Senator BONE. That was introduced as "Exhibit No. 482", and I will read it to you, not having the exhibit before me. This was written to you by Simons under date of December 28, 1932. It reads:

> MY DEAR JOHN: Thank you for the very handsome dressing case which came to me on Christmas morning. I will find it very useful.
>
> I spent a very quiet but very pleasant Christmas despite the rotten weather. Regarding the attempts of Mr. Hoover and the cooky pushers in the State Dept. to effect embargoes on munitions sent out of the country—I do not believe that there is the least occasion for alarm at present.

Had you been discussing this embargo business with him?

Mr. YOUNG. Yes, sir.

Senator BONE. And he was assuring you or perhaps reassuring you that there was no occasion for alarm, that there would not be any embargo on arms?

Mr. YOUNG. We were discussing the question of an embargo by the United States, which did not include other nations.

Senator BONE. I understand [continuing reading]:

> The President and the State Department both lack authority to do anything now and in the spirit that Congress is in and with the large amount of oral business ahead I feel quite sure that no further authority will be granted.

Do you recall that letter?

Mr. YOUNG. I recall it as you read it.

Senator BONE. Who were the "cooky pushers" to whom he was referring?

Mr. YOUNG. I do not know.

Senator BONE. Was Secretary Stimson one of them?

Mr. YOUNG. I do not know.

Senator CLARK. What did you understand by it when you got that letter?

Mr. YOUNG. I did not understand it. It is probably an expression of Colonel Simons.

Senator BONE. Is it a sort of vernacular or argot in the munitions business, which we do not know anything about?

Mr. YOUNG. The expression had never been used before to me.

Senator BONE. We run across a lot of very queer expressions in this business, and I was wondering if "cooky pusher" was another loose expression, or sort of vernacular, which has grown up in this peculiar business, or if it meant just what anyone would ordinarily understand. Can you enlighten us any on that point?

Mr. YOUNG. I cannot. I do not know what it meant.

Senator BONE. Do munitions makers call State Department people "cooky pushers", when they try to bring about peace?

Mr. YOUNG. I am quite sure they do not.

FOREIGN AGENTS

Senator BONE. I think these facts were developed yesterday: That W. R. Grace & Co. was representing you in Peru; also that they were interested in representing you in Chile. That is correct, is it not?

Mr. YOUNG. Yes.

Senator BONE. Mr. Raushenbush, I am not certain that this was introduced in evidence yesterday. I want at this time to offer it, if it has not been.

On January 2, 1934, you addressed a letter to Mr. Walter B. Ryan, president of the Auto Ordnance Corporation, Nassau Street, New York. Who is Mr. Ryan, Mr. Young?

Mr. YOUNG. He is the president of the Auto Ordnance Corporation.

Senator BONE. Do they have that name now?

Mr. YOUNG. They still do, sir.

Senator BONE. What does that organization produce?

Mr. YOUNG. The Thompson submachine gun.

Senator BONE. You state here [reading]:

> Following our conference in the office of Mr. Van Vleck, I am enclosing herewith a brief report on our activities in the export field, which I trust will give you a clear idea of the extent of our missionary work for the Thompson submachine gun.
>
> I believe if the Thompson gun is to be sold in any quantities it will only be sold after somebody contacts the present governmental authorities and educates them on the merits of the Thompson gun and builds up an interest in its adoption.

I am not going to read the rest of it, being just merely an ordinary business letter. The interest in the letter arises in the list of agencies and reference to the territories in the letter.

In this letter you show W. R. Grace & Co. as representing you in Bolivia, Sr. Don Francisco Sefzig in Ecuador, and having agents in Peru, Colombia, Costa Rica, Dominican Republic, Mexico, China, Japan, Hawaii, United Kingdom of Great Britain, Mrs. Patricia Kendall.

Personally, I am rather interested in this lady. What work does she do in England? Who is Mrs. Patricia Kendall?

Mr. YOUNG. Mrs. Patricia Kendall was an authoress, noted for her knowledge and writings on India. She did not represent me in England, as this might classify her as an agent in the same sense that other people did.

Senator BONE. That is why I asked, because it is apparent that she is doing some peculiar sort of work, which seems to qualify her at least as a munitions worker. What is her work, because you make a special point of referring to her work and the work she is doing? Let us be enlightened on that.

Mr. YOUNG. The work she did was primarily to interest the Indian authorities in India in the use of tear gas.

Senator BONE. Now, that is interesting. In other words, they were to use tear gas on these poor devils in India, who were all about two-thirds starved. Is that the work she is doing?

Mr. YOUNG. If you will study the record in India, you will find there has been what I would term an unnecessary loss of life in controlling riots by the use of firearms.

Senator BONE. It is interesting to know that the lady is much interested in suppressing these Indians with tear gas. Have the British authorities listened to the lady's suggestions?

Mr. YOUNG. It is equally interesting to know that Mrs. Kendall was doing her work without remuneration, in interest of India.

Senator BONE. A sort of missionary work, such as was being done in South America?

Mr. YOUNG. Not as was being done in South America. It was an entirely different matter.

Mr. RAUSHENBUSH. Mr. Young, the police in England have not accustomed themselves to using tear gas in the case of riots, the way our police have, have they?

Mr. YOUNG. No; they have not.

Senator BONE. In Turkey we see the Automobile Tire & Tractor Co. Is that the concern which appears throughout these hearings, Mr. Raushenbush, as the A. T. & T. Co.?

(There was no audible reply.)

Do you have a representative in Russia?

Mr. YOUNG. No; we do not.

Senator BONE. You have had two visits from special representatives of Russia, but so far no agents have been appointed.

I would like to have that letter introduced, and I would like to come back to it a little later.

(The letter referred to was marked "Exhibit No. 711" and is included in the appendix on p. 1894.)

Senator BONE. In a letter written by Mr. Jonas, addressed to you, Mr. Young, under date of November 24, 1933, there is a statement to which I wish to direct your attention. I will offer that for the appropriate number.

(The letter referred to was marked "Exhibit No. 712" and is included in the appendix on p. 1899.)

Senator BONE. I want to refer to the third paragraph of that letter, which refers to the Mayrink-Veiga. Who are they? Identify them again.

Mr. JONAS. They are agents for various factories in this country.

Senator BONE. Are they your agents in Brazil?

Mr. JONAS. They were at one time. They are not my agents any more.

Senator BONE. Were they in November 1933?

Mr. JONAS. No.

Senator BONE. That letter states, in part, as follows [reading]:

> Mayrink-Veiga are " persona non grata " with the present regime, due to their excessive profiteering in the last revolution. I have placed our agency for the Federal Government with Souza Sampaio, who are socially the best people in Brazil. They are connected politically, and I honestly believe that if any business arises it will be ours.

Now, is this the same Sampaio who was once in the consular service?

Mr. JONAS. No, sir; they are no relation.

Senator BONE. On July 27, 1934, the Federal Laboratories, Inc., through its export department, addressed a letter to the consul general of Peru in New York City, being a very short letter, with only four lines. In this letter it is typed F. B. It reads as follows:

> CONSULATE GENERAL OF PERU,
> *21 West Street, New York, N.Y.*
>
> GENTLEMAN: Our representative, Lieutenant Henry Carter, for Peru on our company's business.
>
> We would appreciate it greatly if you would be kind enough to visa his passport, for which we thank you sincerely.
>
> Yours very truly,
>
> FEDERAL LABORATORIES, INC.,
> *Export Department.*

Who is Lt. Henry Carter?

Mr. YOUNG. He is one of our engineers.

Senator BONE. Is he at present in the Army?

Mr. YOUNG. He is in the Reserve Corps.

Senator BONE. He is in the Reserve Corps?

Mr. YOUNG. Yes, sir.

Senator BONE. So that title only has significance by reason of the fact that the is in the Reserve Corps?

Mr. YOUNG. I did not know that title was on those things. We try to avoid that. That was probably put on without my knowledge.

Mr. RAUSHENBUSH. Mr. Young, is Mrs. Kendall a religious missionary?

Mr. YOUNG. No; Mrs. Kendall is a society woman—a woman of very high standing in society—who is a lecturer and a writer. She has no financial interest in the business whatsoever. She was only interested in the humane application of tear gas.

Mr. RAUSHENBUSH. And she had the same difficulty in India as you had in England in interesting the police in this novel way of suppressing riots by the use of tear gas?

Mr. YOUNG. She was not working on it from that standpoint. She was recommending to them that she thought it would greatly help the situation and tenseness, or relieve the tenseness which exists in India.

Mr. RAUSHENBUSH. And her social or literary standing sort of gave her some prestige to operate with?

Mr. YOUNG. Mrs. Kendall has the highest prestige in England, and has been called in by the India House and lectured before them and lectured before Oxford. I am sure it would be unfair to Mrs. Kendall to drag her in as a commercial agent in this business.

Senator BONE. You have listed her here as one of your agents.

Mr. YOUNG. I did not know that was done. I know I did not write this up, and it may have been attached to the transmitting letter, but I did not know she was listed.

Senator BONE. Munition houses have a habit of disclaiming moral responsibility for their letters. We have found dozens of them in the files. You or your company dragged that in. If there is any dragging in, your company did it. The lady may be merely unfortunate in having her name tied in in this fashion. A lot of munition companies seem to proceed on the Spartan theory that the offense is not in doing something wrong but in getting caught at it. Who is Col. P. M. Smoot, mentioned in your list of agents?

Mr. YOUNG. I know nothing except from the name, sir.

Senator BONE. Read on page 5 of " Exhibit No. 711 ", at the top of the page:

> Col. P. M. Smoot, adjutant general, Honolulu.

Mr. YOUNG. He had been stationed in Honolulu and was selling the Thompson machine gun for the Auto Ordnance before we came into the picture. I have never met the man personally.

Senator BONE. What is his business over there? He is known as "Adjutant General." You designate him as "Adjutant General." Is he an adjutant general or is that merely a courtesy title?

Mr. YOUNG. I am afraid I could not answer that. I do not know.

Senator BONE. Who wrote this letter?

Mr. YOUNG. Mr. Smoot was recommended to us when we took over the distribution of the Auto Ordnance in that territory as having applied to them to sell the Thompson gun there. That is as much as I know of him.

Senator BONE. I go back to the letter dated January 2, 1934, " Exhibit No. 711 ", written by you, addressed to Walter B. Ryan, of the Auto Ordnance Corporation [reading]:

> DEAR MR. RYAN: Following our conference in the office of Mr. van Vleck, I am enclosing herewith a brief report on our activities in the export field, which I trust will give you a clear idea of the extent of our missionary work for the Thompson submachine gun.

Then to that letter you attached this list, Mr. Young. You say you did not write this. At least, you were using the first person in the letter, and you had in here [reading]:

> You are familiar with correspondence with Colonel Smoot regarding representation for the Thompson gun in Hawaii.

Mr. YOUNG. Senator, this was a report written up by a clerk in our office in response to that letter. There has been much repetition here, and some of it quite needlessly, if I were giving it my personal attention. Colonel Smoot was more familiar to Mr. Ryan, to whom the letter was addressed, by far, than we were, because all we knew we had gotten from Mr. Ryan.

Senator **Bone**. Let us go back before that time and see what the record reveals. On March 8, 1933, I find a letter from W. B. Ryan, Jr., president, Auto Ordnance Corporation, addressed to you, Mr. Young, which will be appropriately numbered.

(The letter referred to was marked "Exhibit No. 713" and is included in the appendix on p. 1900.)

Senator **Bone**. That letter from Mr. Ryan states [reading]:

> I enclose original correspondence with Colonel P. M. Smoot, Adjutant General of Hawaii, which is self-explanatory. Their letter of February 23d is obviously one which should be replied to by yourself. We can recommend Colonel Smoot as an agent in Honolulu, and in view of the arrangements between your company and ourselves, I think it would be very suitable to keep him on in that capacity.
>
> Kindly return this correspondence when it has served its purpose.

Now, after having your memory refreshed, are you unable to further advise us as to who Colonel Smoot is?

Mr. **Young**. I did not see this letter and I had nothing to do with replying to it. It was handled by routine correspondence in the office. That is the reason I could not answer it more fully.

Senator **Bone**. Are you unable to tell us whether he is in the Army or not, or has any active connection with the military over there?

Mr. **Young**. This letter appears to say he has.

Senator **Bone**. It refers to him as Adjutant General of Hawaii.

Mr. **Young**. I would be very glad to look that up and report back to you.

Senator **Bone**. Our committee can ascertain that. It thought perhaps you could inform us.

Mr. **Young**. No; I cannot.

Mr. **Raushenbush**. Mr. Young, he was the agent for the Thompson gun in Hawaii, wasn't he?

Mr. **Young**. There seems no doubt of that from that letter.

Senator **Bone**. You also list him as the agent of Federal.

Mr. **Young**. We appointed him in response to the letter, I presume, because we have no other agent there.

Mr. **Young**. I think perhaps an investigation can be made to find out. I will be very glad to try and do that for you.

Mr. **Raushenbush**. An investigation to find out what?

Mr. **Young**. Whether he is part of the Army now, or whether he had been, or what is his status.

Senator **Bone**. This letter to Mr. Ryan dated January 2, 1934, has been introduced in evidence.

Mr. **Young**. There should be another letter or two with that which probably would have explained it.

Mr. **Raushenbush**. It says in that letter that Mr. Ryan asks that the correspondence be returned. I assume that that is why it is not in your files.

Senator **Bone**. On July 26, 1934, there appears in your records a statement signed by G. Oberdick. Who was he?

Mr. **Young**. My secretary.

Senator **Bone**. That is the young man here?

Mr. **Young**. Yes, sir.

Senator **Bone**. I will offer this statement as "Exhibit No. 714."

(The statement referred to was marked "Exhibit No. 714" and is included in the appendix on p. 1900.)

Senator Bone. This is an open statement to all Federal export agents. It is a rather lengthy statement, and I am going to read some few extracts from it.

We take keen delight in advising you that the first 6 months of 1934 has been the most successful period in the history of our company. Total sales up to June 30 are three times as great as those for any single preceding year. A very gratifying feature of this excellent sales record is the important part that has been played by the export department of our business. To those of you who have contributed to this marvelous record we extend our sincere appreciation and congratulation. We know it has taken a lot of hard work to get this business, but it has paid dividends.

With conditions of unrest as they are today throughout the world, you have a real opportunity before you if you will only get back of this thing and push the Federal program.

Tear gas is fast becoming recognized as the leading and most humane, yet effective manner of quelling street riots and mob violence, not only in the United States, but in foreign countries as well. Here are a few instances where Federal tear gas has been used quite successfully in putting down riots, both of minor and major proportions.

You doubtless are familiar with the conditions existing in Cuba immediately after the overthrow of the Machado Government. Strife reigned. Many people were killed or seriously wounded in street fighting. Realizing the need for some systematic and effective way of restoring quiet and peace to the island, the new government, under the direction of President Mendietta, appointed Mr. John W. Young, our president, as technical adviser to the Cuban Government on all police matters.

Mr. Young is now engaged in the organization and operation of a national police force to preserve law and order on the island.

It might appear from that that we did not need a Platt amendment very badly.

One of the first steps taken was to see that each division of this national police force was equipped with what we felt to be an adequate supply of tear-gas equipment to enable them to handle any emergency that might arise.

The Cuban Government has already purchased over $400,000 worth of equipment, with more to follow. Included in this equipment are gas hand grenades, both tear and sickening gas, gas riot guns and shells, gas billies and cartridges, gas masks, Thompson submachine guns, portable chemical cylinders with gas and smoke charges, etc.

We have also equipped their police with a fleet of radio patrol and armored cars. The attached newspaper clipping shows a section of this fleet as assembled at our factory here just prior to shipment to Havana. These cars are built of special steel to withstand all types of pistol and rifle fire. Thick glass is used in windows and windshield to protect against pistol fire. Each car is equipped with a police siren, spotlight, puncture-proof inner tubes in the tires.

Each car is also equipped with a case in which is carried the following equipment: 2 gas riot guns, one dozen long-range shells, two dozen Jumbo type grenades, two gas billies, six cartridges, two type GB military gas masks, one Thompson submachine gun, and one bullet-proof shield. The armored trucks usually carry double this amount of equipment. The trucks are also equipped with an apparatus which can be used to release tear gas or lay down a smoke screen from the rear of the truck, thus obstructing it from the view of the enemy.

This type of equipment, without question, should be very valuable to the police departments of your country. It would enable them to reach a given point in a hurry and be prepared to meet any emergency that might arise.

Argentina, Bolivia, and Colombia have now standardized on Federal tear gas for their police. The Buenos Aires police are exceptionally well trained in the use of gas combatting all kinds of disturbances. They have used it on numerous occasions quite successfully. Their police instruction manual carried complete details and instructions for the use of tear gas. This indicates clearly the extent to which they have gone in the use of this type of modern equipment in their police work.

Roumania is another country in which Federal tear gas had a real introduction. Not so very long ago we received a report from our agent in Bucharest enclosing a newspaper clipping commenting on the excellent results secured by the Bucharest police when they used Federal gas to break up a riot in their city streets. This is another case where the police in a foreign country have been exceptionally well schooled and educated in the use and value of tear gas as both a defensive and offensive weapon for police use.

The world famous Royal Canadian Mounted Police use Federal tear gas "to get their man." Note the attached facsimile copy of order which we received from them.

For the past three years we have been awarded the contract from our own Government covering their tear-gas requirements.

Then, skipping over to the next page, this statement says:

We are confident that if given an opportunity, we can perform a similar service to your good Government in meeting their many police problems. Don't hesitate to impress upon them the importance of handling their riots and disturbances in a humane, yet effective manner. Unquestionably this can best be accomplished with the use of tear gas in sufficient quantity to insure success.

Be sure to advise your customer that when they use gas, to use plenty of it. * * *

During recent months we have had renewed labor disturbances in various sections of the United States. Here's the way they met the situation. San Francisco purchased Federal tear gas to the extent of $30,000. Toledo, Ohio, used up $8,000 worth of gas; the Pittsburgh area (which as you know is the steel center of the world) purchased over $75,000 worth of gas (Federal) to protect their properties. Youngstown, Ohio, another steel center, bought Federal gas to the amount of $25,000.

Now, Mr. Young, have you given us what you believe to be a fairly complete picture of your activities in lobbying either in State legislatures or in Congress?

Mr. YOUNG. I believe I have. I tried to.

INTEREST OF THE FEDERAL LABORATORIES IN LEGISLATION REGARDING EMBARGOES

Senator BONE. Have you attempted to interest other munitions companies, or to interest those engaged in furnishing what might be called "war supplies", to combat so-called "embargo" declarations or laws?

Mr. YOUNG. I believe when the question first came up I wrote to our competitor in the industry that he would be equally interested.

Senator BONE. Did you get in touch with anyone else in the munitions business?

Mr. YOUNG. I wrote to the directors of our company, I believe.

Senator BONE. What did you suggest your directors to do?

Mr. YOUNG. Acquaint their local senators with the conditions as they saw them.

Senator BONE. I call your attention to a telegram dated December 20, 1932, which I will offer as "Exhibit No. 715."

(The telegram referred to was marked "Exhibit No. 715" and is included in the appendix on p. 1902.)

Senator BONE. This was along about the time of that cooky pusher letter. This is addressed to Mr. Jonas and reads:

Suggest you enlist Curtiss and United in * * *

Who are they?

Mr. YOUNG. That is Curtiss-Wright and United Aircraft.

Senator BONE (reading):

Suggest you enlist Curtiss and United in opposing the President's proposed arms embargo to Congress which would throw this business to Europe. Stop. See you tomorrow.

Mr. Jonas, what did you do toward enlisting these big companies?

Mr. Jonas. I do not think—in fact, I laughed at the thing when I got it. I said to Mr. Rich, "I do not think there is a possible chance to do anything there", and it did not go any further.

Senator Bone. You were not interested at all in embargoes, although your business was an export business? Is that what you wanted us to understand?

Mr. Jonas. No, sir; but I did not think I was important enough to do anything.

Senator Bone. You were just indifferent to this embargo matter.

Mr. Jonas. I did not know enough about politics. I did not think that I could do anything. I do not recall doing anything.

Mr. Young. Senator, I am not trying to dodge this telegram or the activities that I had. I was very sincere in my activities.

Senator Bone. I do not doubt it.

Mr. Young. I believe that an embargo which does not include the other countries does not accomplish the purpose that the sponsors of the embargo try to accomplish.

Senator Bone. Then your idea is, as long as any one country sells ammunition around the world, there should be no efforts made to impose an embargo on shipments of arms?

Mr. Young. No; I would not say that, either.

Senator Bone. What would you say?

Mr. Young. I think that if a general program can be enlisted for an embargo and to stop war, it is a good thing.

Senator Bone. You think that if a general program could be started, you would be in favor of going along with it, do you?

Mr. Young. Yes; I do.

Senator Bone. How would you suggest starting a general program of that kind? Would you suggest discussing it here or suppressing the discussion of it and starting it in Argentina, organizing a society to promote peace in the Argentine—just how would you work it?

Mr. Young. I think the last embargo that was placed on Bolivia started out along the proper lines. It was unfortunate that it did not take as well in other countries as it did here.

Senator Bone. The only way to create embargo sentiment is to discuss the desirability of embargoes; is that correct?

Mr. Young. Yes, sir.

Senator Bone. In the United States, the proper place to discuss it would be in the United States. Is there anything wrong with that idea?

Mr. Young. There is nothing wrong with discussing it in the United States.

Senator Bone. Every time there has been a discussion of it, we find running through all of this correspondence, a story of propaganda of munitions companies against it and a desire to thwart it, to frustrate it, and attempt to send men down to Washington to kill it, "to put the heat", to use a western expression, on Senators and Congressmen, and on legislators to stop it. That is the picture. Where are we going to get with these efforts if munitions companies apply this sort of political pressure to men in public life? Do you think that is the proper thing for them to do? What would you, as a munitions man, suggest?

Mr. Young. I would suggest that an effort be made to tie in the leading powers to a pact which would make an embargo effective.

Senator Bone. Was not our State Department discussing that with other nations at the time?

Mr. Young. It was not for a proposed embargo, as I had been informed up to that time. My telegram reads:

> Which would throw this business to Europe.

Senator Bone. Yes; but the munitions companies make no distinction about that at all. They are just opposed to embargoes. Your friend who is with the du Ponts refers to the State Department facetiously as a "bunch of cooky pushers." Is it regarded as sissyfied and old-maidish to discuss peace problems?

Mr. Young. I should not think so.

Senator Bone. Mr. Jonas writes under date of December 29, 1932, to Mr. Young, a letter which I will offer as "Exhibit No. 716."

(The letter referred to was marked "Exhibit No. 716" and is included in the appendix on p. 1902.)

Senator Bone. This is about the time when this embargo matter was being discussed and they were talking about "cooky pushers." Mr. Jonas says:

> Dear Mr. Young: Last night a friend of mine who is in the Department of Commerce and who was formerly commercial attaché abroad visited me and asked me if I was doing anything with Ecuador. He informed me that they were in the market for more or less the same list of stuff that you were mentioning last week and also told me that the purchasing would be done thru the Ecuadorian Minister in Panama.
>
> About three weeks ago this same inquiry came to the State Department, requesting them to sell them this lot of material, but the Government refused to accept the order. However, they did not object to them buying from the manufacturers in this country. This was my reason for telegraphing you last night.

Can you throw any light on that rather equivocal language?

Mr. Jonas. I think it was Mr. Brooks who told me about this business in Ecuador.

Senator Bone. I cannot understand you.

Mr. Jonas. I think it was Mr. Brooks who told me about this inquiry in Ecuador.

Senator Bone. It rather paints a picture of an embargo against shipping into one country and, to get around it and circumvent it, shipping into another country.

Mr. Jonas. I do not think there was an embargo. I did not know of an embargo.

Senator Bone. What is this reference to permits?

Mr. Jonas. Unless they were trying to purchase from the United States Government; I do not know. I have never shipped anything without a permit. I would not have tried to get an order if I did not have a permit.

Mr. Young. I believe, Senator, that through Panama they were endeavoring to purchase this direct from the Government, as though it were for Panama.

Senator Bone. The letter is rather obscure, and we would like to have you tell us what it means, if you can?

Mr. Young. That is the best I can make out of it. This is back in 1932, and I cannot recall what else it could mean unless there was an attempt on the part of interests in Ecuador to purchase from our Government and to use Panama as a means to accomplish that.

Senator BONE. On January 10, 1933, you received a letter from Mr. E. H. Pitcher, which I offer as Exhibit No. 717."

(The letter referred to was marked "Exhibit No. 717" and is included in the appendix on p. 1902.)

Senator BONE. Who is Mr. E. H. Pitcher?

Mr. YOUNG. Mr. E. H. Pitcher is our salesman in Washington.

Senator BONE. Who is he?

Mr. YOUNG. Our salesman here in Washington.

Senator BONE. In Washington City?

Mr. YOUNG. Yes, sir.

Senator BONE. Was he contacting the departments here, to keep you advised as to what was going on? Read the letter and see what the character of it is. A copy of it was sent to Mr. Jonas.

Evidently you were wiring him, because he acknowledges a copy of your telegram; and the subject of your wire must have been the embargo that was then being threatened.

Mr. YOUNG. At that time we had a negotiation on with Bolivia, and the embargo was in the course of discussion. I asked Mr. Pitcher to find out whether he thought it would go through and what we should do with the negotiation.

Senator BONE. Your agent, Mr. Pitcher, who appears to be well informed, says:

> We have learned from what we consider a reliable source, that the War Department objects to the original draft of the congressional resolution empowering the President to put an embargo on shipments of U.S. arms to warring countries, holding that it would be unfair to bar American manufacturers of arms and munitions from warring nations when these markets still will remain open to foreign countries.

Would that appear to be the sole reason that the War Department was advancing, so far as you know?

Mr. YOUNG. I do not know. I think Mr. Pitcher was passing on conversation of the street.

Senator BONE. Shortly after that, April 15, 1933, Mr. Jonas writes to Mr. Sedgley a letter, which I offer as "Exhibit No. 718."

(The letter referred to was marked "Exhibit No. 718" and is included in the appendix on p. 1903.)

Senator BONE. This letter is written to Mr. R. E. Sedgley, of Philadelphia, Mr. Sedgley being the arms man who has been under discussion here.

I want you to read that letter, Mr. Jonas, and then tell us what it means. I will read the first sentence of it. It says:

> For your information, Arica, Chile, is a free port. Enough said.

Mr. JONAS. This was evidently an answer to a question that Mr. Sedgley asked me regarding this port.

Senator BONE. What was his question?

Mr. JONAS. Apparently the goods could be shipped to Arica. Have you got any other letter, Senator, to refresh my memory on it?

Senator BONE. No; that is the only letter. What did you mean by Arica being a free port?

Mr. JONAS. That arms could be shipped to Arica.

Senator BONE. As a matter of fact, all ports on the coast are free ports, are they not?

Mr. Jonas. That was the reason that arms could be shipped to Arica. That must have been the answer to the question of Sedgley's.

Senator Bone. Sedgley is a shipper of arms?

Mr. Jonas. Yes, sir.

Senator Bone. He is the man who has been referred to as "Sidewalk" Sedgley?

Mr. Jonas. Yes.

Senator Bone. He is a jobber of second-hand arms?

Mr. Jonas. Yes, sir.

Senator Bone. Was that a port through which some arms could be shipped at a time when they could not be shipped through another port?

Mr. Jonas. Not that I know of.

Senator Bone. Then just what is the meaning of this cryptic observation, "Enough said"? That implies that he would understand what you meant?

Mr. Jonas. It does imply that, and I am trying to think what it meant at the time.

Senator Bone. Among the munitions boys, what does an expression of that kind mean?

Mr. Jonas. Well, we all have different styles of writing.

Senator Bone. You tell us what you meant by your style.

Mr. Jonas. I am trying, honestly, to recall, Senator, what I meant by that. The thing is absolutely out of my mind, honestly.

Senator Bone. Perhaps this will help you to refresh your memory. In the same letter there is a reference to Cutts compensator. That is a little device on the end of a gun?

Mr. Young. On a Thompson machine gun.

Mr. Jonas. It can be used on any gun.

Senator Bone. But it is used on the Thompson gun?

Mr. Jonas. It is used on rifles. It is used to stop the recoil.

Senator Bone. Taking the reference to Cutts compensator in connection with the reference to a free port and "enough said", might these not indicate that some of these very effective Thompson machine guns were being passed through the port of Arica?

Mr. Jonas. No, sir. No Thompson guns were being shipped; none at all.

Senator Bone. They were not?

Mr. Jonas. Absolutely not.

Senator Bone. You want us to understand that that was merely a little slip of the pen, or something of that sort? That it did not have any significance at all?

Mr. Jonas. I do not know what the significance was, sir.

Senator Bone. My reason for asking you that is that we want you to be frank with us. You can understand why members of this committee are a little bit dubious about the frankness of munitions men. We want to be fair with you, and we want to be kind to you. There is no desire on our part to hurt you at all. But we want you to be frank with us.

Mr. Jonas. I appreciate the object of your meeting, but I really do not know what "enough said" there means. I have forgotten about this thing.

Senator Bone. Well, you are the one who can explain it. When munitions men come before the committee, they must not charge the committee with a lack of fairness to them when they themselves, who have locked within their breasts the sole explanation for these actions, refuse to explain them.

Mr. Jonas. I am not refusing to explain this, sir, but I am just trying and cannot recall what it was.

Senator Bone. You gentlemen use trade expressions and equivocal expressions and ought to be prepared to come here and tell us what they mean or else be prepared to have an inference in the record that you refuse to do so. There is nothing unfair in that. Such a proposition is as old as the English common law. The man who writes the letter knows what he means. If he does not want to explain it, the natural inference will follow.

Let us read a letter dated July 18, 1934, which I will offer as "Exhibit No. 719."

(The letter referred to was marked "Exhibit No. 719" and is included in the appendix on p. 1903.)

Senator Bone. This letter is addressed to Mr. Frank S. Jonas and signed by Gus O. Oberdick, of the Federal Laboratories. It reads:

> My Dear Busto: * * *

Who is he?

Mr. Jonas. He is a stenographer in the office.

Senator Bone (reading):

> After reading over Watson, Phillips' letter to you of July 9th a second time, it appears to me they are complicating matters somewhat.
>
> The order originally specified shipment direct to the police department on basis of cash against shipping documents to be forwarded through bank.
>
> Now they are requesting that we forward the equipment through their Tampico agent who will arrange to make collection of the money.

To what did this refer?

Mr. Oberdick. This was an order from the police department and later I believe they changed the shipping instructions to go to the agents who would collect the money for it. I believe this was to sort of speed up the shipment.

Mr. Rich. Possibly I can explain that.

Senator Bone. We would be glad to have an explanation of it.

Mr. Rich. We originally had instructions to ship that straight to the Government and then subsequently the instructions were changed, suggesting that we ship care of their agent who could help expedite the shipment through. It was just utterly impossible for us to do that, as we had to ship to the Government.

Senator Bone. What was the ultimate destination of the shipment being discussed?

Mr. Rich. It was supposed to be Tampico, I believe.

Senator Bone. This letter reads:

> Will the Mexican consulate in New York pass the shipment consigned to Watson, Phillips' agent in Tampico?

Mr. Rich. I understand the Mexican consul was perfectly willing to pass any shipment anywhere into Mexico.

Senator Bone. Where is Watson, Phillips located?

Mr. Rich. Mexico City.

Mr. YOUNG. Can I help you on that, Senator?

Senator BONE. Yes; if you will.

Mr. YOUNG. There are no Thompson machine guns ever shipped from the United States to any country without a permit from the State Department.

Mr. RAUSHENBUSH. As far as you know.

Mr. YOUNG. That is as far as I know.

Mr. OBERDICK. This shipment later went through in the regular way.

Senator BONE. Is there any further explanation of that?

Mr. YOUNG. That is all.

Senator BONE. Mr. Young, yesterday we mentioned a young chap by the name of Pickerell who was operating in Brazil. I do not know that we made quite plain what his connections were down there.

Mr. JONAS. That letter was to me.

Senator BONE. Was he representing you there?

Mr. JONAS. He was not representing me there.

Senator BONE. He was in this arms deal down there?

Mr. JONAS. I do not know what deal he was in. He has never done any business for me. I have never given him my representation. He has always wanted it, but I have never given it to him.

Senator BONE. What were his connections down there?

Mr. JONAS. He was the agent for the Ford Motor Co. and various other lines; agent for a shipping company.

Senator BONE. He was a friend of yours?

Mr. JONAS. Yes, sir.

Senator BONE. He was in Para, Brazil?

Mr. JONAS. Yes, sir.

Senator BONE. Were any of his people connected in any public way with governmental activities?

Mr. JONAS. At present, no.

Senator BONE. Were they at the time?

Mr. JONAS. No, sir.

Senator BONE. The American Government?

Mr. JONAS. No; not at that time.

Senator BONE. Well, at what time were any of his immediate family connected with the Government?

Mr. JONAS. Years previously.

Senator BONE. I beg your pardon?

Mr. JONAS. Probably 2 years previously—I do not think his people were in the Government at that time. I am pretty sure of that.

Senator BONE. You say you do not think they were in the Government?

Mr. JONAS. I am sure he was not in the Government then.

Senator BONE. I did not ask about him. I asked about his people.

Mr. JONAS. His people I am talking of now, sir.

Senator BONE. Are you not able to advise us whether they were in the Government service?

Mr. JONAS. His people were in the Government service.

Senator BONE. They were in the Government service?

Mr. JONAS. Yes, sir.

Senator BONE. Tell us which Government.

Mr. Jonas. In the American Government.

Senator Bone. When you say "his people", who do you mean?

Mr. Jonas. I am referring to his father.

Senator Bone. His father was in the Government service. What position with this Government did his father hold?

Mr. Jonas. He was American consul.

Senator Bone. His father was American consul. Where was he located?

Mr. Jonas. In Para.

Senator Bone. Where is Para located?

Mr. Jonas. In northern Brazil.

Senator Bone. Is that a seacoast city?

Mr. Jonas. It is at the mouth of the Amazon.

Senator Bone. That was not brought out yesterday. When was his father in the Consular Service?

Mr. Jonas. I think he was retired about 6 years ago.

Senator Bone. About 6 years ago?

Mr. Jonas. Six or seven years ago. He is an old man today. I do not think he is at all active.

Senator Bone. Of course, if his father is no longer in the Government service or was not in the Government service at that time, the incident, of course, has no particular significance.

Mr. Jonas. No, sir.

Senator Bone. There should be no intimation of that kind in the record. Was the young man down there during the time his father was in the Government service?

Mr. Jonas. When on his vacation he was, and after probably about 5 or 6 years later he was in business.

The Chairman. Mr. Young, yesterday there was some discussion of your relations with certain police departments. Does the Federal Laboratories sell to the New York State troopers or the State police?

Mr. Young. Yes, sir; we do.

The Chairman. To whom do you sell?

Mr. Young. Through the New York State purchasing department.

The Chairman. Who handles that for the State?

Mr. Young. I could not give you the name of the purchasing agent. It comes through on regular forms. I do not know the name.

The Chairman. Do you have any people to whom you look, on the State police force?

Mr. Young. No; we do not.

The Chairman. Who is Captain Moore?

Mr. Young. Captain Moore is the chief inspector of the New York State police.

The Chairman. Have you had contacts with him?

Mr. Young. Yes; I have.

The Chairman. Just what have these contacts had to do with?

Mr. Young. I met him one time in their police school. He is a man who has a very high reputation in police schools in the United States. Later I recommended him to the Cuban Government, and he was loaned to them for about 6 weeks.

The Chairman. Has he finished that work in Cuba?

Mr. Young. Yes; he has.

The CHAIRMAN. Have you paid Captain Moore a commission?

Mr. YOUNG. I have not, sir.

The CHAIRMAN. Has your company paid him a commission?

Mr. YOUNG. They have not.

The CHAIRMAN. Have you paid him any expenses?

Mr. YOUNG. No; we have not.

The CHAIRMAN. Did you have any hand at all in his employment in Cuba?

Mr. YOUNG. I recommended him, and the payment of his fees down there was made to me, and paid by me over to Captain Moore.

The CHAIRMAN. Who paid you?

Mr. YOUNG. The Cuban Government. There was an error in the payment, there was $6,000 paid in one lump, and that was to cover, as my contract read, for myself and for two assistants.

The CHAIRMAN. You recommended Captain Moore to the Cuban authorities?

Mr. YOUNG. Yes, sir.

The CHAIRMAN. He was to do what, train the police down there?

Mr. YOUNG. He was to put on the police school.

The CHAIRMAN. Demonstrating the methods of handling gas bombs?

Mr. YOUNG. The New York State police have a police college which has been adopted by the International Police Chief's Association as a model police college, and it was intended to have Captain Moore duplicate that college in Habana, and he sent down their curriculum and a duplicate program.

The CHAIRMAN. He was there about 6 weeks?

Mr. YOUNG. Yes, sir.

The CHAIRMAN. What was paid to him for that service?

Mr. YOUNG. I do not recall off hand. I think the total traveling expenses for two trips, and the time down there was about $2,000.

The CHAIRMAN. I expect, Mr. Young, that you, like all members of this committee, are a believer in an adequate national defense?

Mr. YOUNG. I am.

The CHAIRMAN. Do you contemplate that we should be prepared for any foe that might be developed in the future?

Mr. YOUNG. I am very much interested in the national defense.

The CHAIRMAN. You work with the Federal authorities in planning such a defense, of course?

Mr. YOUNG. We are on the industrial program division of the War Department, and I would say further that practically all of our developments which we have worked out in our own research department have been mailed in to the War Department, making that information available to the War Department.

The CHAIRMAN. Would your company consider a proposition to sell supplies for national defense to a country that might some day be our foe?

Mr. YOUNG. That is a question of what might be considered in a man's opinion of who would be our foe.

The CHAIRMAN. Who is the authority we can turn to today, to tell us who our foe in another war is going to be?

Mr. YOUNG. Is there anybody, do you think, in our Government, who would want to go on record and say we expect such and such a nation to be our foe. I would hesitate to hazard such a statement.

The CHAIRMAN. Of course it is hard to conceive Great Britain being our foe; we just don't think of it that way, do we?

Mr. YOUNG. No.

The CHAIRMAN. Or France either; we don't count them as being at all apt to be giving us any trouble, or we giving them any trouble.

Mr. YOUNG. No; we do not.

The CHAIRMAN. How about Japan; there is a large feeling in this country, and I guess in Japan, too, that there might be war between the United States and Japan some day. Do you feel that our national defense must be a program looking to a possibility of difficulties against Japan?

Mr. YOUNG. I do not believe Japan could ever do much in the United States.

The CHAIRMAN. Would not ever do much?

Mr. YOUNG. Yes.

The CHAIRMAN. We are not going to argue that, I don't think any of us think they can, but there is a lot of talk to that effect.

Mr. YOUNG. Yes.

The CHAIRMAN. A large part of our national defense program is based upon ultimate war with Japan, or at least that we should defend ourselves against that possibility if it should develop. Would you feel it would be perfectly all right from the standpoint of our national defense to sell what you produce to Japan?

Mr. YOUNG. I have given them quotations on some of our equipment.

The CHAIRMAN. That was not the question. Do you feel it would be a good move from the standpoint of our American national defense?

Mr. YOUNG. The material I quoted them, I would say yes.

INTEREST IN LEGISLATION REGARDING CONTROL OF SALES OF FIREARMS

The CHAIRMAN. We showed yesterday, or you showed your interest in the legislation having to do with the firearms bill here in Congress last winter. Just what was the purpose of your interest in that, would you state, even to the extent of repeating yourself of yesterday, if need be.

Mr. YOUNG. Senator, I believe that there has been a flow of firearms into this country which has been entirely unnecessary. When firearms were first introduced, almost everyone felt they could carry them—that is, back in the pioneer days, and the country has never gotten entirely away from that. I believe control has been given to tear gas because the manufacturers are so limited that they have voluntarily endeavored to keep it from being sold promiscuously through stores, like firearms were. I am a firm believer that firearms should eventually be kept under close control where there is no way for them to be bought by the young boys who have an idea they would like to start shooting.

The CHAIRMAN. You say that without any thought of a possible desire to eliminate competition so that you can have the entire field yourself?

Mr. YOUNG. I would not say that was the dominating thought, Senator. As a matter of fact, I believe if you will review back over the records, the bill pertaining to the gun was less severe, as originally proposed by the Department of Justice, than I recommended it, and as it was afterwards made. I said, " Let us do it right while we are at it."

The Chairman. Now, in April of this year, on the 28th, you wrote W. B. Ryan, of the Auto-Ordnance Corporation, New York, in which you told him of your recent visit and conference at Washington with the Bureau of Investigation. You spoke of the new laws that were going through Congress as being laws that would greatly increase the work of the Bureau of Investigation and require them to increase their staff of men, and also increase the amount of equipment they will need; and then you say:

> From information I gather in Washington I feel very confident that the firearms bill will go through Congress and become a law. This is very encouraging, for it will do much to spike possible competition and to kill off the gun that is now being made in New York.

I want you to tell us now about that gun being made in New York, that statement being made as of last April.

Mr. Young. I think that question was discussed yesterday, in which I told you all that I know about it.

The Chairman. Doesn't this letter serve to refresh your memory at all?

Mr. Raushenbush. Was that the Hyde gun?

Mr. Young. It was the Hyde gun.

The Chairman. You wrote the letter, didn't you, Mr. Young?

Mr. Young. Yes; I did. The report that came to me on that Hyde gun, as I can recall it, was that it was being peddled to anyone who would take it up to manufacture it. I think there was one gun in negotiation. I have never seen the gun, and my information depended entirely on the report I picked up, and the most I could get there was that there was such a gun being talked about.

The Chairman. But you said it was being made in New York, and indicated that it was a very decided source of competition.

Mr. Young. Did I say it was, or promised to be?

The Chairman. You were speaking of spiking possible competition and killing off the gun that is now being made in New York.

Mr. Young. I meant to say being made, but not in the sense that they were being manufactured in quantities; that was my understanding, at least. It might have been manufactured in quantities, but I do not know.

The Chairman. Now, then, your interest in this firearms legislation was as largely occasioned by the competition you had or that was being threatened, as it was by any patriotic desire to break down this crime wave we were dealing with at the time, wasn't it?

Mr. Young. I believe it is possible to have both of those motives.

The Chairman. I can see very clearly that not only is it possible but it is quite probable it would exist.

Mr. Young. That is right.

The Chairman. At that time, in the spring of this year, you were engaged in a very extensive campaign to sell those guns?

Mr. Young. I was.

The Chairman. Of what did that campaign consist?

Mr. Young. The normal campaign we have with all of our products. We circularize all police departments by direct mail.

The CHAIRMAN. What contacts did you have with the Department of Justice or Bureau of Investigation respecting the individual sale of machine guns?

Mr. YOUNG. When the Attorney General's office became concerned over the talk of legislation about that gun and what could be done to control it, they asked if the manufacturers and sales agents of the gun would confer with them and tell them the history of the gun and any recommendation we had.

The CHAIRMAN. Weren't you a little bit afraid the Department of Justice was going to be overly severe in the matter of the sale of guns to individuals?

Mr. YOUNG. At first I was; but when I got to talking to them I lost that fear. I saw they were very earnestly endeavoring to find the most logical solution for this time.

The CHAIRMAN. On October 30, 1933, you wrote Mr. Ryan, and a copy of that letter will be laid before you and introduced in evidence at this time.

(The letter referred to was marked "Exhibit No. 720" and is included in the appendix on p. 1903.)

The CHAIRMAN. You say in this letter, "Exhibit No. 720", as follows:

> Following your phone conversation today, I think we should give every serious thought as to how far we want to bind ourselves to the Department of Justice on the individual sale of machine guns.

What is the meaning of that language; it is not clear to me what that meant?

Mr. YOUNG. It has not any specific meaning to me.

The CHAIRMAN. Let us read the next paragraph of the letter, which says:

> I have no fear from any of the present staff in Washington; but, after all, that is a political organization, and time might come when there may be some officeholder who may not be like-minded to the present staff. Therefore, I think we should be careful in voluntarily giving too many rights which we now have.

Now, what rights did you have?

Mr. YOUNG. We had the right to sell that gun.

The CHAIRMAN. Is this what is referred to as the "Tommy"?

Mr. YOUNG. Yes; that is the Tommy. We had the right to sell that gun to anyone.

The CHAIRMAN. To anyone that wanted to buy it?

Mr. YOUNG. Yes, sir.

The CHAIRMAN. There were no restrictions?

Mr. YOUNG. Yes; that is right.

The CHAIRMAN. What restrictions were being contemplated at that time?

Mr. YOUNG. The restriction being contemplated at that time was to take it off of the market entirely.

The CHAIRMAN. Do you mean as relates to individual sales, or sales to police?

Mr. YOUNG. Sales to everybody.

The CHAIRMAN. Who was going to supply the police?

Mr. YOUNG. Apparently there had been no provision made for that. There was a vicious feeling against the gun and they wanted to take it off of the market, was the impression we got. We believed the gun is very valuable for police departments. We had no particular interest in selling to individuals and the agreement which we voluntarily offered to the Attorney General's Office was that no gun sold to any other than a division of the Government would be sold without first securing the permission of the Department of Justice. That means that not even a sheriff or police officer, under our regulations, was permitted to buy the gun without getting the approval of the Department of Justice.

The CHAIRMAN. What would be wrong with that?

Mr. YOUNG. Because sheriffs go out of office, and if they personally purchased the gun, they would take it as their possession, and the gun is eventually brought back on the market. If a county or a municipality buys a gun, it remains public property, and we have a certificate which every purchaser had to sign then, and still has to sign, stating that the gun is purchased as the property of that division of the Government and will not be disposed of in any manner without the consent of the Auto-Ordnance Corporation, in writing.

The CHAIRMAN. What is the law now?

Mr. YOUNG. The law is now that we can sell this gun by reporting them to the Department of Justice and paying a tax of $200 per gun. Police departments do not pay any tax. I think the law is very fair.

The CHAIRMAN. Last fall it appears you were finding yourself faced with the competition of this new Belgian machine gun. You said in correspondence at that time that this particular gun "can be sold in the United States cheaper than the Thompson, and it gives me some concern if it should come on the market."

How large was the threat that it was coming on the market?

Mr. YOUNG. There had been 100 of them imported in, and they were laying in the warehouse in New York at that particular time.

The CHAIRMAN. You said in your letter of date August 8, 1933, to Mr. Ryan of the Auto-Ordnance Corporation, quoting your exact language, the following:

> I have examined one of these guns which Lieutenant Cutts has. It appears to be smaller and simpler than the Thompson. It can be sold in the United States cheaper than the Thompson and it gives me some concern if it should come on the market.

You considered that real competition, did you not?

Mr. YOUNG. Yes, I did; and I think the whole situation can go into the flooding or the dumping of German or Spanish guns on the American market, which has been going on for the past several years, and it ought to be stopped, and is not effectively stopped.

The CHAIRMAN. As a matter of fact, would you not have liked to have had the right to sell that gun?

Mr. YOUNG. No; I would not. It is an inferior gun and I would not care for it. You can buy a Spanish imitation of the Smith & Wesson gun for about $8, but no police department would have it.

The CHAIRMAN. All right, you then went to the Attorney General and attempted to get an embargo imposed upon the importation of foreign-made machine guns, did you not?

Mr. YOUNG. I did.

The CHAIRMAN. Did you get such an embargo?

Mr. YOUNG. We had an agreement which was put on his desk, and I had the promise through the Attorney General's Office that would be done.

The CHAIRMAN. Then you proceeded to get the rights to sell this gun, the right you said you did not want, did you not?

Mr. YOUNG. No; I was offered the rights but did not proceed to get them, and did not take them.

The CHAIRMAN. Now, the concluding paragraph of this letter of August 8, sent by you to Mr. Ryan is as follows:

> Assuming the President will take the requested action we have only to consider then the matter of American manufacture under patent rights. Harrington & Richardson or Sedgley may take some such rights and develop competition for us on a price basis that would prove embarrassing. Do you wish me to secure from Mr. Stone proposed price for license under the patent, or have you any other suggestions.

Doesn't that pretty clearly indicate you seriously considered buying the patent rights?

Mr. YOUNG. No; I was speaking for Mr. Ryan. My contract on the Thompson machine gun does not permit me to handle any other competing gun, and I was asking Mr. Ryan what he proposed to do from his standpoint.

The CHAIRMAN. The facts are that you placed the Belgian manufacturer of this gun in a position of having to sell the patent rights here if he wanted to sell in the market at all, did you not?

Mr. YOUNG. Yes; I think that could be said.

The CHAIRMAN. You destroyed to him, through the embargo that you requested, any bargaining power that the Belgian manufacturer might have for the sale of his product in America.

Mr. YOUNG. Yes, sir.

The CHAIRMAN. Let the letter of August 8 from Mr. Young to Mr. Ryan be marked as an exhibit.

(The letter referred to was marked "Exhibit No. 721" and is included in the appendix on p. 1904.)

The CHAIRMAN. Under the machine-gun rules and regulations that have been written during the last year it is made difficult, and even impossible to make individual sales of machine guns, is it not?

Mr. YOUNG. I think that is what was intended to be done.

The CHAIRMAN. Have you made individual sales at all?

Mr. YOUNG. I do not think we have made a single individual sale since that law went through.

The CHAIRMAN. How have you gotten your machine gun onto the market?

Mr. YOUNG. It is sold solely to the police departments, where I think it belongs.

The CHAIRMAN. As relates to sales, yes; but do you loan machine guns?

Mr. YOUNG. Just in what way?

The CHAIRMAN. Do you loan machine guns? You cannot legally sell them, so, do you loan them at a rental price?

Mr. YOUNG. I do not think you can loan them, even, under the bill. I don't think you can dispose of them in any way by gift, loan, or in any manner.

The Chairman. Now, I want to read you a letter dated August 12, 1932, addressed to Donaldson's Amazon Expedition, which letter is offered in evidence.

(The letter referred to was marked " Exhibit No. 722 " and appears in full in the text.)

The Chairman. This letter, " Exhibit No. 722 ", reads as follows:

> Gentlemen: We are advised by our Mr. May that you are interested in securing two Thompson submachine guns to take with your expedition to South America. I am sure you will find no gun more valuable to you than the Thompson submachine gun.
>
> We are not in position to sell you these guns outright as they are sold only to police departments, but we can offer you an arrangement which will doubtless interest you even more than an outright purchase. For a deposit of $100 on each gun, we will loan the equipment to you, and if returned within six months, refund $50 on each gun. If returned within one year there will be no refund, but you will agree to guarantee the return of the guns in good condition, reasonable wear and tear allowed.
>
> We would be very pleased to hear from you further on this basis.

Mr. Young. May I call your attention, Senator, that this was written May 12, 1932, and the bill was passed about that time, in 1934.

The Chairman. What is the meaning of this language, " We are not in position to sell you these guns outright."

Mr. Young. As a matter of fact, we were, but we did not choose to. I mean there was no law prohibiting us from selling those guns, but we were not in position, according to the company policy, to sell the guns in that manner, and that was the most polite way we found we could tell them that.

Senator Clark. You can kill a man just as dead with a gun you rented as one you bought, can't you?

Mr. Young. This was a very high-grade expedition into the Amazon for research work, and I thought the men needed the protection they could get from that gun.

The Chairman. Why couldn't you sell them a gun?

Mr. Young. We could.

The Chairman. Then why didn't you?

Mr. Young. We didn't care to do it. We have turned down many requests to buy Thompson machine guns.

The Chairman. For instance, what requests?

Mr. Young. Wealthy men have wanted to buy the guns out on a ranch or a place such as that, and Mr. Ryan, who has control of that, has steadfastly adhered to the policy that it is a police gun. It has been sold to banks, such as the Federal Reserve bank and organizations of that type, but we have steadfastly discouraged its use by individuals. A man may have it in his home and be entirely honorable; and one of his servants may steal it; and it is out in the hands of the criminal; and that brings a bad reputation to the name of the gun.

Mr. Raushenbush. Have any of them been sold to industries?

Mr. Young. There have been a very few of them sold for pay-roll protection. The gun will not be sold to any industry in labor trouble. Mr. Ryan has steadfastly prohibited its use under such conditions.

Mr. Raushenbush. You have sold to some of the large steel companies?

Mr. YOUNG. We have sold a few, and I think they bought them in the earlier days when the guns could be purchased through supply stores.

The CHAIRMAN. In how many instances have you resorted to this loan practice?

Mr. YOUNG. So very seldom that I told you we do not do it. I did not recall it at that time, Senator, and my secretary tells me there is one other case where this was offered; and neither case went through, to my knowledge.

The CHAIRMAN. Your manufacture involves a great many patents and secrets, does it not?

Mr. YOUNG. Yes, sir.

The CHAIRMAN. Do you sell these patents and secrets abroad?

Mr. YOUNG. Some of them we do and some we do not.

The CHAIRMAN. Do you sell to Japan?

Mr. YOUNG. We offered to sell our tear-gas patents to Japan.

The CHAIRMAN. I offer in evidence a letter of date February 9, 1932, addressed by the Federal Laboratories, Inc., by its president to Okura & Co., No. 30 Church Street, New York.

(The letter referred to was marked "Exhibit No. 723" and is included in the appendix on p. 1904.)

The CHAIRMAN. Who is Okura & Co.?

Mr. YOUNG. They are Japanese merchants in New York, brokers.

The CHAIRMAN. This letter is marked for the attention of Mr. I. Koizumi, who is he?

Mr. YOUNG. He is either a clerk or the district manager there, I don't know which.

The CHAIRMAN. He had evidently written you wanting certain information; what was that information he wanted?

Mr. YOUNG. It is a well-known fact in America, among the American manufacturers that the Japanese desire to get as much information as they can, and one of their ways of getting information is to get all of your patent numbers and copies of the patents and look them up, and he was endeavoring at this time to get all of our patent numbers, and I think this was a courteous stall.

The CHAIRMAN. However much of a stall you may want to call it now, you very definitely did agree to turn over to the Japanese Navy not only the patents and rights for issuance of it, but also the formula, manufacturing process, detailed manufacturing specifications, and detailed instructions for their use, did you not?

Mr. YOUNG. I did, and I said that before, and it is explained by what you get, whether you turn it over to them or not, by buying the products and taking them over and rebuilding them.

The CHAIRMAN. You did not supply the numbers of the patents that were involved?

Mr. YOUNG. No; as a matter of fact, there are other ways in which they could get them if they chose.

The CHAIRMAN. But if they got the numbers of the patents, they could more readily trace them, could they not?

Mr. YOUNG. Yes; much easier for them.

The CHAIRMAN. And if they had traced them, they would not need to buy any patent rights from you, would they?

Mr. YOUNG. Not most of them, that is true.

The CHAIRMAN. Do you not think on matters of that kind it would be far better that the Government alone control such patents and devices?

Mr. YOUNG. Are you referring now to tear-gas patents?

The CHAIRMAN. Anything that might be for use of a national-defense nature. Evidently here you had developed something no one else had, and which gave us a large advantage.

Mr. YOUNG. With this hand grenade, the gas billy, and the gas line gun, and the gas mask, that is what we were negotiating with.

The CHAIRMAN. But here was the request for patent numbers of all your products.

Mr. YOUNG. In this letter I state:

> Regarding Captain Hiraoka's request for all patent numbers of our products, I should be very glad to accommodate him, but I am not just sure that I can give him what he wants.

The CHAIRMAN. You say this was a sort of stall?

Mr. YOUNG. That is exactly it. It was a polite stall.

The CHAIRMAN. Then why, in the concluding paragraph of your letter, did you urge him to speed up because things were coming to a pass where a little bit later you might not be able to do anything for him at all?

Mr. YOUNG. I wanted to sell him and I want to sell him the rights on this product [exhibiting hand grenade]. I did not want that officer to be prying into other things I did not want to sell him.

The CHAIRMAN. The fact is that embargoes were being talked at that time. Is not that true?

Mr. YOUNG. Yes.

The CHAIRMAN. In the concluding paragraph of your letter you state:

> Due to the impending possibility of Federal embargo on such materials I trust you will be able to secure authority from Tokyo to proceed with the transaction at an early date; otherwise, this authority might be received too late and I would be requested by the State Department to hold up the transaction. I dislike to hurry you but believe it expedient to close the deal as soon as possible, and I will come to New York any time you are ready to discuss the matter further.

That was not a stall, was it?

Mr. YOUNG. Senator, may I refer to it as a sales letter, in which I politely stalled him on certain things he wants?

The CHAIRMAN. Let us get through with this letter first.

Mr. YOUNG. And in which I tried to urged him to go ahead and buy things I wanted to sell him. I do not recall any embargo, or proposed embargo, against Japan. I was trying to urge him to go ahead and buy, and using sales talk. There was a talk of embargo in general.

The CHAIRMAN. But you wanted to sell him?

Mr. YOUNG. Yes; I did.

The CHAIRMAN. Sell him what?

Mr. YOUNG. Our tear-gas patents and specifications for manufacture.

The CHAIRMAN. Detailed instructions for their use?

Mr. YOUNG. Yes, sir.

The CHAIRMAN. I want to ask you again, Mr. Young, do you believe in an adequate national defense?

Mr. Young. Yes; I do; and there are some things which those men would like to buy which they cannot be given.

The Chairman. Why cannot they buy them?

Mr. Young. I do not have a price on them.

The Chairman. Are they matters on which our Army and Navy have an exclusive right, Mr. Young?

Mr. Young. At least my knowledge of them is such that it should be kept exclusively for the Army and Navy.

The Chairman. If you had gone through with this deal with Japan, would you first have had to obtain the consent of the Army and Navy?

Mr. Young. I would not have had to do it, but I would have reported it to them promptly.

It might help, Senator, if I tell you that no foreign visitors, under an agreement which we have with the Navy—no foreign government visitors will be permitted to go into our plant without first securing a permit from either the Army or the Navy.

Senator Bone. Does that apply to your gas activities?

Mr. Young. That applies to everything now. That was made, I think, several months ago.

The Chairman. Does the Navy, by any chance, take those products on board a naval vessel and take them all around the world and demonstrate them to other powers, as they do some of the guns on our naval vessels?

Mr. Young. No; we have never sold this to the Navy.

Senator Bone. Why would the Army and Navy want to keep your gas activities secret, when you are selling to every country in the world?

Mr. Young. I am not speaking about the gas activities. I offered to sell the gas activities, and I am sure there would be no objection on the part of either the War or Navy Department to such common knowledge. The question of types of bombs or other military information, I believe there would be a question on. After all, this is police equipment and not military equipment [exhibiting hand grenade].

Senator Bone. The only thing so far which has been kept out of the public records is this "Bouncing Betty", which was discussed yesterday. The rest of it seems to be open to the world.

Mr. Young. I cannot agree to the rest of it being open to the world, Senator.

Senator Bone. You have agents throughout South America, apparently selling everything which you make. Why this claim of secrecy and all this mysterious business in connection with the munitions game, when munitions men are selling this stuff all over the world—not only selling it but encouraging governments to buy it?

Mr. Young. When the War Department releases information, which they do, we then feel free to go ahead and market it. Where they do not release it, as they frequently do not—and we have letters in our files to that effect—we respect that and do not attempt to exploit it.

The Chairman. Just what is this agreement which you have with the Auto Ordnance as relates to the Thompson machine gun?

Mr. Young. I believe, Senator, we gave a copy of that agreement.

The Chairman. I mean just roughly.

Mr. YOUNG. It is a rather long agreement to discuss, but we have the exclusive sale and distribution of the Thompson machine gun to police departments in the United States.

The CHAIRMAN. To police departments alone?

Mr. YOUNG. No; we sell it to the Government now also.

The CHAIRMAN. Then you have exclusive right to the sales of the Thompson machine gun, which can be made in the United States? Is that it?

Mr. YOUNG. Yes, sir.

The CHAIRMAN. How do you make your sales to the Government? Do you exercise any salesmanship there at all?

Mr. YOUNG. Our salesmanship is exercised in explaining to the men who will use it the functions of the gun, and the purchases are made on competitive bidding.

The CHAIRMAN. Why do you need salesmanship at all? The gun is pretty well recognized, is it not?

Mr. YOUNG. The fact that they were selling about two guns a week before we took over the sales shows that the gun cannot sell itself. People must know about it. There are new people coming into power who are not familiar with the weapons which are available.

The CHAIRMAN. New people coming into power where? In the Army and Navy?

Mr. YOUNG. Appointed police chiefs; appointed heads of different departments in the Government.

The CHAIRMAN. We are talking now about your business with the Federal Government.

Mr. YOUNG. With the Federal Government.

The CHAIRMAN. Do you employ salesmen to sell to the Federal Government?

Mr. YOUNG. Yes, sir; Mr. Pitcher sells to the Federal Government.

The CHAIRMAN. How long has he been thus employed?

Mr. YOUNG. He has been with us about 6 years.

The CHAIRMAN. Do you pay commissions on sales that are made to the Government?

Mr. YOUNG. Yes; we do.

The CHAIRMAN. How large a commission?

Mr. YOUNG. It depends on the department. I think it is 5 percent up to 15 percent.

The CHAIRMAN. You say, depending on the department. Are some departments harder to sell than others?

Mr. YOUNG. In the Army they have their schools of instruction, and they buy them without any effort other than to contact them and take bids.

Senator CLARK. What does the Army use the Thompson gun for?

Mr. YOUNG. They are used quite generally throughout the Army.

Senator CLARK. They are not standard equipment in the Army, are they?

Mr. YOUNG. Yes; they are.

Senator CLARK. Whom do they arm with it? What branch of the service?

Mr. YOUNG. I think it is in use in practically all branches of the service except the Engineering Corps.

Senator Bone. It is not an Infantry arm, is it?

Mr. Young. It is a combination between a side arm and a rifle, and what we are advocating at the present time is that the noncommissioned officers carry the Thompson submachine gun, and there are advocates of that program within the Army.

The Chairman. That would put the Government in the market for as many as three or four thousand Thompson machine guns?

Mr. Young. They were never in the market for that number during my work with the gun.

The Chairman. August 26, 1933, you wrote Mr. Ryan concerning this matter, and I will ask that that letter of August 26 be marked as an exhibit for the record.

(The letter referred to was marked "Exhibit No. 724" and is included in the appendix on p. 1905.)

The Chairman. In that letter you state:

> Referring to our conversation of yesterday, wish to advise that it will be agreeable for you to put a man to work soliciting the U.S. Government for a prospective order for 3,000 Thompson submachine guns, paying him a commission of 5 percent, one half of which would be deducted from our regular commission.

Mr. Young. That was a request from Mr. Ryan to me, of which I knew nothing except that under the first agreement he would be required to have my permission to give somebody else a chance to sell it.

The Chairman. You seem to be very cautious about who was to be engaged to represent you and to receive this commission in Washington. Who was finally engaged?

Mr. Young. I do not believe the man was engaged. I never met him, and I have no knowledge of his work since then.

Senator Bone. Is there a difference in prices to the different Government departments?

Mr. Young. Yes, sir.

Senator Bone. How do you account for that?

Mr. Young. In some departments we have had to put in schools throughout the United States teaching them how to use it. That has cost money and, obviously, that cost must come from somewhere.

Senator Bone. Did I understand you to say that you call for bids on it?

Mr. Young. Yes; we do.

Senator Bone. Then you do not have what is called "negotiated contracts"?

Mr. Young. They are not negotiated contracts.

The Chairman. Do you have to pay larger commissions to get your product into some departments than others?

Mr. Young. Yes, sir. Our business is all worked on a commission basis with our agent; and if an agent is put on a school out over the United States, for instance, in Seattle, Wash., that is costing him money, and the customary complaint is that our men have not been interested in the Thompson machine gun for Government departments because the amount of work has not enabled them to make any money on it.

Senator Bone. What departments of the Government buy these guns?

Mr. Young. I think we might say the Army, Navy, Marine Corps, Coast Guard, Department of Justice, or the Bureau of Prisons, and the Treasury Department and the Mint.

The Chairman. In some countries it appears that commissions have to be inclusive of what is paid to officials, and in some instances the Government, in order to get the sale across. Do you experience anything of that kind here in selling to the United States Government?

Mr. Young. No, Senator; I have not experienced anything like that.

The Chairman. You are not paying commissions to any Army or Navy officers?

Mr. Young. No; I am not.

The Chairman. Do you have any knowledge as to whether your agents are doing that?

Mr. Young. I have absolutely no knowledge of them doing it.

The Chairman. What measure of competition comes to you in your South American field from German manufacturers?

Mr. Young. Mr. Jonas, I believe, can answer that better than I can.

The Chairman. Mr. Jonas, is there considerable German competition?

Mr. Jonas. Czechoslovakia is really the principal competitor, with the Schmeisser gun, and the Gergman gun, more or less the same type but a smaller gun, but it is a portable machine gun.

The Chairman. As you encounter these things in South America, or as they are reported to you at your New York office, do you report to the Department of Commerce and to the United States on that competition?

Mr. Jonas. No, sir; I do not. If I meet any of our commercial attachés down there, I give them the information in conversation.

The Chairman. Do you report to the State Department or any other department of the Federal Government?

Mr. Jonas. No, sir; I do not.

Senator Bone. Is there any restriction in Germany on the manufacture of those guns over there?

Mr. Jonas. I think most of those guns are made in adjoining countries, smaller countries. Some are made in Denmark, I believe.

Senator Bone. Are they merely jobbed throughout Germany?

Mr. Jonas. I believe they are, sir. I am not positive they are shipped from Germany. I have seen German representatives, met German agents handling the thing. I know they come from Europe, but I could not tell you exactly who they come from.

The Chairman. In connection with the discussion of this matter, I call attention to a letter dated November 21, 1932, addressed to Mr. Frank S. Jonas, by Raoul Leon, which I ask be entered as an exhibit.

(The letter referred to was marked "Exhibit No. 725" and is included in the appendix on p. 1905.)

The Chairman. Who are Harrington & Richards Arms Co.?

Mr. Jonas. They are manufacturers of small arms, shot guns, and revolvers, in Worcester, Mass.

The CHAIRMAN. Up in Massachusetts?

Mr. JONAS. Yes, sir.

The CHAIRMAN. Mr. Young, have you done any business with them?

Mr. YOUNG. I do not recall buying anything from them, unless we repaired a gun.

The CHAIRMAN. Who is W. T. Neill?

Mr. YOUNG. He is a correspondent in our office.

The CHAIRMAN. A correspondent?

Mr. YOUNG. Yes, sir; sales correspondent.

The CHAIRMAN. I have a copy of a letter here dated January 11, 1933, signed by Federal Laboratories, Inc., by W. T. Neill, addressed to Cowdrey & Co., 17 Battery Place, New York, N.Y. Who is Cowdrey & Co.?

Mr. YOUNG. Cowdrey & Co. are brokers in New York.

The CHAIRMAN. That letter may be appropriately numbered.

(The letter referred to was marked "Exhibit No. 726" and appears in full in the text.)

The CHAIRMAN. This letter says [reading]:

> Kindly refer to your letter of January 9th, in which you ask for more details on our inquiry for 4,000 Crag rifles. We prefer to have these rifles quoted without bayonets or slings. We, too, have agents in most foreign countries and wanted to protect them on this inquiry. However, we are dealing through a broker, who states that his principals are negotiating from Berlin. Just what the ultimate destination of these rifles would be he does not claim to know. We regret, therefore, that we cannot supply this information. However, if the order is placed, shipment will be made from New York and all obligations will be discharged on presentation of shipping documents.

What is the meaning of that?

Mr. YOUNG. May I finish the letter?

The CHAIRMAN. Let us read it aloud:

> Will you please wire us after receipt of this information. A quotation is also desired on 7,000,000 rounds of ammunition for these rifles. We have warned our prospect that shipment can be made only to governments recognized by the State Department. He assures us that the ultimate purchaser falls within that classification.

Mr. YOUNG. Senator, I think it is correspondence coming through our regular routine. I learned the man who was the broker was a man by the name of Nagode, who lives in Pittsburgh, and nothing further was heard of the inquiry, and all the information I know is contained there. There were one or two other similar inquiries received from him which were of the same nature.

The CHAIRMAN. Did you happen to call this particular inquiry to the attention of the State Department in Washington?

Mr. YOUNG. I do not know that. I do not think they did. Those things flow along and if anything developed seriously we would promptly call it to their attention.

Senator BONE. Mr. Rich, who is Mr. D. Hadjopoulos in New York?

Mr. RICH. Mr. Hadjopoulos is a Greek who engages in business primarily with the Far East. Just what his product is I do not recall offhand, but he occasionally gets inquiries for military equipment, mostly gas masks and helmets.

Senator Bone. Is he a New York munitions broker?

Mr. Rich. I should say, among other things, he is, but that is not his main business, as I understand it.

Senator Bone. You have had some contacts with him in reference to guns, have you not?

Mr. Rich. Yes; he has sent in on several occasions an inquiry for guns, and the only source of supply I could think of was Mr. Sedgley, and I found out he had already applied to Mr. Sedgley, and that is all there was to it.

Senator Bone. What gun was he inquiring about?

Mr. Rich. It seems to me it was Lewis, but I am not positive.

Senator Bone. Perhaps I can refresh your recollection by a memorandum I have here. Was it not the Marlin machine gun?

Mr. Rich. The Marlin machine gun.

Senator Bone. What is the Marlin machine gun?

Mr. Rich. It is a field machine gun and not a submachine gun, as I understand.

Senator Bone. It is much heavier?

Mr. Rich. Yes, sir; 30.06.

Senator Bone. It is used in regular military work?

Mr. Rich. Exactly.

Senator Bone. Under date of March 12, 1934, you addressed a letter to Mr. D. Hadjopoulos, to which I will direct your attention. Mr. Wemple, will you supply Mr. Rich with a copy of that letter? I ask that that be given the appropriate exhibit number.

(The letter referred to was marked "Exhibit No. 727" and is included in the appendix on p. 1907.)

Senator Bone. Mr. Rich, in that letter you are referring to information which you evidently gave him over the telephone.

Mr. Rich. Yes, sir.

Senator Bone. In which you speak of these Marlin machine guns, saying:

> These guns have never been fired. At the close of the World War, the U.S. Army, as you can well imagine, had tremendous quantities of newly manufactured equipment of all kinds in preparation for shipment to Europe. These guns are part of this supply that was never used. In accordance with the standard practice of the U.S. Government, any ordnance material is always put out of commission before being sold publicly. In this case the barrels were ruined, but in other respects the guns were intact. Mr. Sedgley has equipped these guns with brand new barrels, and they are in every sense the equal of a new weapon.

Who would supply the new barrels? The Marlin people?

Mr. Rich. I understand he makes them himself, Senator.

Senator Bone. That would appear from the paragraph following, which reads:

> Mr. Sedgley enjoys a very excellent reputation as a gunsmith, and, as I told you, he is always not only willing but desirous of selling his merchandise subject to test and inspection by the buyer or any designated authority.

Does Sedgley have a plant for the manufacture of rifle barrels?

Mr. Rich. I believe he does. I have never visited his plant in Philadelphia, Senator, but my information is he has a plant there for reconditioning arms.

Senator BONE. Can you give us any idea, Mr. Rich, for whom those guns were intended?

Mr. RICH. No, I cannot, Senator; but it is my information they were for the Far East.

Senator BONE. This letter is dated March 12, 1934. Can you advise us as to any country in the Far East that at that time was interested in securing machine guns through a broker?

Mr. RICH. Of course, occasionally we do get requests from China, and from time to time we continue to hear China is interested in machine guns, is interested in helmets, and is interested in gas masks.

INTEREST OF AMERICAN MUNITION COMPANIES IN SOUTH AMERICAN REVOLUTIONS

Senator BONE. Mr. Jonas, will you tell us who Martins & Co. happen to be?

Mr. JONAS. In what city, sir?

Senator BONE. Porto Alegre.

Mr. JONAS. Southern Brazil. They are commission agents, representing various manufacturers. They represent——

Senator BONE. Where is that city located?

Mr. JONAS. Porto Alegre is in southern Brazil.

Senator BONE. Is it in southern Brazil?

Mr. JONAS. Yes, sir. They represent the Remington Arms. They represent the Federal Laboratories, and a great many concerns they represent there. They are just a commission agency.

Senator BONE. I will come back to that in a moment. I would like to ask Mr. Rich one or two more questions.

Can you give us any further light, Mr. Rich, on the sale of arms by the United States Government?

Mr. RICH. No, sir; I cannot, sir.

Senator BONE. How would Sedgley come into possession of a large quantity of these machine guns?

Mr. RICH. I can only state what I understand to be the case, Senator.

Senator BONE. Give us that information.

Mr. RICH. Which is that it is the practice of the United States Government frequently to dispose of surplus Army materials by open bids, and that all sorts of materials are disposed of by the United States Army in that way.

Senator BONE. Do they dispose of uniforms?

Mr. RICH. Yes, indeed.

Senator BONE. Rifles?

Mr. RICH. Rifles.

Senator BONE. Revolvers?

Mr. RICH. Revolvers? I have never encountered them.

Senator BONE. Ammunition?

Mr. RICH. I have never encountered that.

Senator BONE. Just tell us, if you can, what is disposed of in the way of sales by the Government.

Mr. RICH. Cartridge belts, shoes, and suspenders. They frequently pronounce a public sale of those, and they go to the highest bidder. And the uniforms I am almost sure of, and rifles, I believe.

Senator Bone. Ammunition?

Mr. Rich. I do not know about ammunition, Senator.

Senator Bone. You are not sure about that?

Mr. Rich. No; I am not.

Senator Bone. If it should appear that the Government sold ammunition, would it not be a rather startling fact?

Mr. Rich. It would be startling.

Senator Bone. From where are these guns sold; the arsenals?

Mr. Rich. I believe that is the case.

Senator Bone. Can you tell us how far the Government ruins these barrels, for instance, on the rifles?

Mr. Rich. I cannot tell you from experience. I understand they put the breeches out of commission, or some sort of thing.

Senator Bone. What kind of prices does this equipment bring?

Mr. Rich. That I do not know.

Senator Bone. I think perhaps you can enlighten us a little about Mr. Sedgley's operations. Where is his plant; New York City?

Mr. Rich. In Philadelphia, Senator.

Senator Bone. In Philadelphia. I think that will appear from the former testimony in the record. How large a plant does he have?

Mr. Rich. I have no idea, because I have not visited his plant in Philadelphia, sir. I have never seen it.

Senator Bone. From what you know of his operations, would you say that he makes general tender of arms all over the world?

Mr. Rich. I should say so.

Senator Bone. Would you classify him as a sort of American Soley. You know about the Soley Co.?

Mr. Rich. I do not know very much about them, so that I would hesitate to make a comparison.

Senator Bone. Sedgley is in the habit of picking up material from various sources, is he not?

Mr. Rich. I should judge that he is.

Senator Bone. Is there anyone in this country whose operations take in a field bigger than Sedgley's?

Mr. Rich. I am unable to say. I am not acquainted with any others.

Senator Bone. Tell us, if you can, what other private concerns are operating in the same field as Sedgley.

Mr. Rich. I do not know of any others, Senator.

Senator Bone. How about Bannerman?

Mr. Rich. I think he works with Sedgley.

Mr. Wemple. Senator, perhaps Mr. Jonas can advise us.

Senator Bone. What other concerns sell arms generally like Mr. Sedgley does, Mr. Jonas?

Mr. Jonas. I think Bannerman works jointly with Sedgley. That is the impression I got. There is another concern, Lucke & Kiffe. I think they sell, themselves. Also Griffin & Howe.

Senator Bone. Where are they operating?

Mr. Jonas. They are on Forty-fourth Street.

Senator Bone. In New York City?

Mr. Jonas. Yes, sir.

Senator Bone. You have named three or four of them. Are there any more?

Mr. Jonas. Not any more that I can think of.

Senator BONE. According to the best information which you have, which of those would be the largest?

Mr. JONAS. Sedgley, I should say.

Senator BONE. It is very apparent from this letter that the injury that the Government does to this equipment when it is sold, in this particular instance of these Marlin machine guns, is of such a character that the gun can be very readily put back into use. That is correct, is it not, Mr. Jonas?

Mr. JONAS. I think the Government now burns the barrels and the receivers, in the last sales that have been made.

Senator BONE. So that all the party needs to do that buys them is to replace that part and the gun is in perfect order?

Mr. JONAS. It would seem so, sir.

Senator BONE. That is quite apparent from this letter. Now, Mr. Jonas, getting back to Martins & Co., in Brazil, they address you as "Dear sir and friend."

You were quite well acquainted with Mr. Martin, of that company?

Mr. JONAS. That is the Spanish way of addressing a letter. Yes, I am well acquainted with him.

Senator BONE. He adds this statement in this letter of June 21, 1932, which I will offer as "Exhibit No. 728."

(The letter referred to was marked "Exhibit No. 728" and is included in the appendix on p. 1907.)

Senator BONE. The statement to which I refer is:

> Thus I would add the following: Before the outbreak of the revolution in 1930——

Let me ask parenthetically if that is when this Sao Paulo revolution began, or is that another revolution?

Mr. JONAS. I think that was the revolution in 1930.

Senator BONE. Did that extend through to 1932?

Mr. JONAS. No, sir.

Senator BONE. Were there a number of revolutions about that time?

Mr. JONAS. 1930 was one of the big revolutions.

Senator CLARK. 1930 was when they turned the Government out, is it not?

Mr. JONAS. Yes, sir.

Senator BONE. The new government that came in as a result of that revolution lasted through and the Sao Paulo revolution did not upset the new government; is that right.

Mr. JONAS. That is right.

Senator BONE. I ask these questions so that we may get the picture correct. I will proceed with the reading of this letter:

> Before the outbreak of the revolution in 1930 there was here a salesman of a Canadian factory trying to negotiate with the Government of this State and really sold them a large order of munitions, which was delivered much later—that is, when the revolution was already ended.

Who was this Canadian salesman and what factory did he represent?

Mr. JONAS. The Dominion Cartridge Co.

Senator BONE. And where are they located?

Mr. JONAS. In Montreal.

Senator BONE. What munitions were sold by that Canadian representative?

Mr. JONAS. I learned in New York of a shipment of one million 7 mm. cartridges that had been shipped.

Senator BONE. Were there any guns in that shipment?

Mr. JONAS. No, sir; not that I know of.

Senator BONE. Continuing with this letter:

> These munitions were destined for the revolution——

In other words, the Dominion Cartridge Co. was selling these cartridges to the revolutionists. That is true, is it not?

Mr. JONAS. Yes, sir.

Senator BONE (reading):

> These munitions were destined for the revolution but negotiations were carried on in such secrecy that even the commander of the military brigade knew nothing of the matter. As for myself I did not think that the revolution would arise and that if it did the Government would suppress it. This purchase of munitions was made on the basis that payment would be made when the revolution was successful, therefore I do not believe that Winchester comes into the question as the sales agent, because Winchester does not do business that way without guarantees.

Can you tell us whether the Canadian Government was aware of these activities?

Mr. JONAS. I cannot.

Senator BONE. It is apparent from this communication that the Canadian company was negotiating this very quietly. Is that correct?

Mr. JONAS. I should imagine so from this letter.

Senator BONE. All of these sub rosa activities were being carried on without the official knowledge of the Canadian Government? Is that correct?

Mr. JONAS. I do not know, sir; I presume so.

Senator BONE. We may assume that?

Mr. JONAS. Yes; we can assume that.

Senator BONE. This paragraph that ends with the statement—

> therefore I do not believe that Winchester comes into the question as the sales agent because Winchester does not do business that way without guarantees—

would indicate that this was a sort of contingent-fee arrangement on the part of this other company, but that the American company, being good business men wanted the money right on the drumhead.

The CHAIRMAN. I would like to ask Mr. Young, or any one else present who might have the information, was this Mr. Sedgley that has been referred to as Sidewalk Sedgley, arrested about 2 years ago in connection with the sale of guns to gangsters?

Mr. JONAS. That I do not know.

Mr. YOUNG. I do not know.

Mr. RICH. I have never heard of him being arrested.

Mr. JONAS. I have never heard of him being arrested either.

Senator BONE. Is Martins a rather prominent man down there?

Mr. JONAS. No; he is just an agent. He is not prominent.

Senator BONE. Does he not know what is going on? Do you not think that he knows what is going on?

Mr. JONAS. He ought to have some idea. He mixes with the political parties there. He is the agent in a small town.

Senator BONE. He is a good mixer and he knows what is going on.

Mr. JONAS. Yes; he knows what is going on.

Senator BONE. Kendrick van Pelt was a Brazilian arms agent who has come into this hearing quite frequently. He lived in Sao Paulo, Brazil. That is correct?

Mr. JONAS. Yes, sir.

Senator BONE. I have here a letter dated July 12, 1932, from Mr. Jonas to Mr. Kendrick van Pelt, which I offer as "Exhibit No. 729."

(The letter referred to was marked "Exhibit No. 729" and is included in the appendix on p. 1908.)

Senator BONE. In this letter you say that you are enclosing a copy of a letter to Martins, your agents in Para.

Mr. JONAS. That is another Martins, the one in Para.

Senator BONE. Is he related to the one we have previously been discussing?

Mr. JONAS. No. There is no relationship whatsoever.

Senator BONE. The last paragraph of this letter states:

> From the news in the papers in the last two days I was sure I would be receiving cables from you for all kinds of our material. According to the New York Times the lid is off in Brazil, so get busy and see if you cannot stir up something.

You were referring there to the possibility of orders that you might secure?

Mr. JONAS. Yes, sir.

Senator BONE. Here is another letter dated August 4, 1932, to the Federal Laboratories in Pittsburgh, signed by Mr. Jonas, which I offer as "Exhibit No. 730."

(The letter referred to was marked "Exhibit No. 730" and is included in the appendix on p. 1908.)

Senator BONE. This letter asks for the shipment of certain tear-gas grenades. I will merely show you the letter and we will pass on to the next exhibit.

On August 4, 1932, Mr. Jonas addressed a letter to Mr. E. H. Pitcher, which I offer as "Exhibit No. 731."

(The letter referred to was marked "Exhibit No. 731" and is included in the appendix on p. 1909.)

Senator BONE. In this letter you say:

> Owing to a shipment I have leaving for Brazil on Saturday and on which it was necessary for me to attend to the presentation of the drafts, etc., at the bank tomorrow, it will be impossible for me to come to Washington, so I intend telephoning Mr. Ynsfran and will endeavor to make an appointment for some other day.

What was that shipment?

Mr. JONAS. That was a shipment made by the Winchester Repeating Arms Co. to the Government of Brazil.

Senator BONE. That was the shipment to the bona fide Government of Brazil?

Mr. JONAS. Yes, sir.

Senator BONE. Who is Mr. Fred Treat, of Tucson, Ariz.?

Mr. JONAS. Mr. Fred Treat is an old friend of mine. I have known him for a good many years.

Senator BONE. On August 17, 1932, you write Mr. Treat a letter, which I offer as "Exhibit No. 732."

(The letter referred to was marked "Exhibit No. 732" and is included in the appendix on p. 1909.)

Senator BONE. You say in this letter, in part:

> I am busy as hell on the Brazilian revolution and Paraguay and Bolivian situation, and I am bidding on a great many things.

Mr. JONAS. I think I will have to leave that word "hell" out of my vocabulary in the future, gentlemen.

Senator BONE. Were you fairly successful in that business, Mr. Jonas?

Mr. JONAS. I took several orders; yes, sir.

Senator BONE. Let me go back just for an instant to a letter to Mr. Pitcher, which is "Exhibit No. 731", dated August 4, 1932, in which you said you were telephoning to find a Mr. Ynsfran. Who was he?

Mr. JONAS. He was connected with the Paraguan military attaché.

Senator BONE. He was connected with the Paraguayan military attaché in Washington?

Mr. JONAS. Yes, sir. But I believe he was in New York that day. As I recall it, he was in New York and I was trying to locate him in New York.

Senator BONE. You were shipping these things to Brazil, but you were telephoning him. Was the telephone in connection with this Brazilian shipment?

Mr. JONAS. No, sir. It had nothing whatsoever to do with it; no connection at all.

Senator BONE. Nothing at all?

Mr. JONAS. Nothing whatsoever, sir.

Senator BONE. It appears in the record that at this time the rebels down in Brazil were getting plenty of ammunition. That is the case, is it not?

Mr. JONAS. You could not prove it by me, sir; I do not know.

Senator BONE. They seemed to have plenty of ammunition.

Mr. JONAS. Well, they have a factory in Sao Paulo, and I believe the factory supplies them with all the material that they did have.

Senator BONE. I have before me a letter dated August 24, 1932, written to Mr. Young by Mr. Jonas, your principal, Mr. Jonas, which I offer as "Exhibit No. 733."

(The letter referred to was marked "Exhibit No. 733" and is included in the appendix on p. 1910.)

Senator BONE. You say in this letter:

> I just heard from my friend at the Guaranty Trust Co. on the telephone, and he told me that while an irrevocable letter of credit had been opened it had not been guaranteed by a New York bank, so the conditions remain unchanged.

You were arranging a letter of credit there?

Mr. JONAS. That was for the Government. I was not arranging a letter of credit. I was making sales to Mayrink Vega.

Senator BONE. For the purpose of the record, let us understand who Mayrink was.

Mr. JONAS. He was a Government agent.

Senator BONE. A Brazilian Government agent?

Mr. JONAS. Yes, sir.

Senator BONE. Did he have an official or semiofficial relationship with the Government?

Mr. JONAS. Not an official relationship. He was just sent up here to purchase some stuff. He was a broker; that is, a commission man in Rio, and he had secured contracts to place these orders here for the Government.

Senator BONE. The Brazilian Government sent him up to New York to negotiate the purchase of war munitions?

Mr. JONAS. Yes, sir.

Senator BONE. And he bought a lot of munitions about that time?

Mr. JONAS. Yes, sir.

Senator BONE. About $3,000,000 worth?

Mr. JONAS. I do not know; a very large quantity; not munitions—Lord no. I mean airplanes.

Senator BONE. Well, they were for military purposes?

Mr. JONAS. Yes, sir.

Senator BONE. Those are munitions of war. I will ask you to read the letter. It says in the second paragraph:

> It apears that Mayrink and Love were getting very nervous about this and they are certainly keeping the wires hot trying to arrange finances.

Now, who is Mr. Love referred to here?

Mr. JONAS. Mr. Love of the United Aircraft Corporation.

Senator BONE. And they were getting into the picture selling military airplanes to Brazil?

Mr. JONAS. Yes, sir.

Senator BONE. You say in the last paragraph—

> The other side—

What does that mean—"The other side"?

Mr. JONAS. The other side refers to the revolutionists.

Senator BONE (reading):

> The other side has actually placed orders for airplanes and other credits have been opened, but no orders placed as yet.

So the other side was also buying airplanes—that is to say, the revolutionists. From whom were they buying, do you know?

Mr. JONAS. I do not know.

Senator BONE. Did they buy their planes from the United?

Mr. JONAS. I do not know. I had nothing to do with it, Senator.

Senator BONE. Can you not throw a little light on it and tell us whether Mr. Love was selling airplanes to them?

Mr. JONAS. No; I do not think that the United Aircraft were selling them airplanes, because if they had, I think Mr. Love would have told me.

Senator BONE. Which airplane company was selling airplanes to the revolutionists while negotiations with the Brazilian Government were going on? It clearly appears in the letter that that was being done.

Mr. JONAS. I am just trying to think. I think it was the Fleet planes that were sold.

Senator BONE. Fleet?

Mr. JONAS. Yes.

Senator BONE. Was that the plane that was sold to the revolutionists?

Mr. JONAS. That is the plane that I heard was sold.

Senator BONE. Were you down there about that time?

Mr. JONAS. No, sir; I was up here.

Senator BONE. But you were in touch, were you not?

Mr. JONAS. I was not in touch with them there, sir.

Senator BONE. All of the undercurrents of information were coming to you, were they not?

Mr. JONAS. Well, in this business, naturally I hear information. I cannot help it.

Senator BONE. You were in the picture; you wanted to sell down there, too, and naturally you were in touch and knew what was going on.

Mr. JONAS. Senator, I would not have sold them a thing without a Government permit under any conditions.

Senator BONE. I am not saying that you would. But in order to be a good salesman you have to know what is going on, and in this case you would have to know what was going on in this territory, would you not?

Mr. JONAS. It is natural; yes.

Senator BONE. I am not trying to trip you up on this, Mr. Jonas. I merely want you to tell us what you do or what was going on down there. You had information of what was going on, did you not?

Mr. JONAS. Naturally, I try to get as much information as possible.

Senator BONE. That is what I mean. I think you are a rather energetic sort of person, and you would know what is going on. Manifestly, from this letter, it appears that the revolutionists were getting military planes, too. Of course, they were getting them from outside sources. Now, can you be a little more explicit and tell us what you know about this?

Mr. JONAS. I had nothing to do with this; I had nothing to do with the deal; so I cannot say.

Senator BONE. Was Fleet airplane a military airplane?

Mr. JONAS. I think it is a training plane, if I am not mistaken.

Senator BONE. You can drop bombs off a training plane, can you not?

Mr. JONAS. I guess you can drop bombs off anything.

Senator BONE. Who manufactures that plane, do you know?

Mr. JONAS. I think it is the Consolidated Co.

Senator BONE. Consolidated?

Mr. JONAS. I think so.

Senator BONE. That is in this country?

Mr. JONAS. Yes, sir.

Senator BONE. Where do they operate?

Mr. JONAS. Buffalo, I believe.

Senator BONE. Do you know what airplane combination they are tied into?

Mr. JONAS. No; I do not.

Senator BONE. You say in this letter:

> Negotiations, however, are pending. Please destroy this letter after reading it.

Why did you want the memorandum destroyed?

Mr. JONAS. I wish I had had all my letters destroyed.

Senator BONE. There were allusions here to both sides getting materials for war purposes from the United States. Of course, it made it just a little tough to have a memorandum like that floating around. That is true, is it not?

Mr. JONAS. It does, sir, but I have not sold and would not sell anything unless I had a Government license, Senator.

Senator BONE. We understand that. But the boys down there on both sides were getting this stuff.

Mr. JONAS. But in the last revolution I sold the government, and 3 weeks later the other side came in. They won the revolution and they were the government.

Senator BONE. Surely. Of course, in this game where the outs may become the ins in the next week, as a fair margin of safety, it is desirable to be on good terms with both of them. That is right, is it not?

Mr. JONAS. I guess you are right, sir.

Senator BONE. Who is Mr. Feldman, a Dr. E. D. Feldman, Mr. Young? His address is apparently 80 West Fortieth Street, New York City.

Mr. YOUNG. I am trying to recall who he was.

Senator BONE. I have here a letter of August 24, 1932, addressed to Dr. Edward D. Feldman by the Federal Laboratories, which I offer as "Exhibit No. 734."

(The letter referred to was marked "Exhibit No. 734" and is included in the appendix on p. 1910.)

Senator BONE. What interest did Dr. Feldman have in these matters?

Mr. YOUNG. As I recall, now, Senator——

Senator BONE. That is, in these South American revolutions.

Mr. YOUNG. I think he wanted to represent us in Europe.

Senator BONE. What sort of a doctor is he?

Mr. YOUNG. I do not know. We did not go into it any further. We did not investigate that far. We did not consider him.

Senator BONE. Are doctors interesting themselves in the practical aspects of these revolutions?

Mr. YOUNG. I imagine that he is a doctor of philosophy in chemistry or some technical branch.

Senator BONE. That might explain his interest in this letter. You say that—

He—

Referring to Mr. Jonas—

has been working day and night on certain deals pertaining to the revolution in South America, and I am sure this is the real reason he has been unable to see you.

So it now very clearly appears that Mr. Jonas was well advised when he says he knew what was going on down there. What were these deals pertaining to the revolution that Mr. Jonas was working on?

Mr. JONAS. May I answer that, Senator?

Senator BONE. Surely. Both of you may answer; anybody may answer.

Mr. JONAS. That was on the work that I was doing with Mayrink Veiga. I was with him for 2 months, practically.

Mr. YOUNG. May I add there, Senator, that we would hardly be disclosing specific details to a stranger who was asking for an interview in connection with arranging a territory for him somewhere else?

Senator BONE. I did not mean to suggest the propriety of revealing these things to the doctor, but I want you to reveal them to us.

Mr. YOUNG. Mr. Jonas has stated what it was.

Senator CLARK. What revolution was it that you were working on?

Mr. JONAS. I was not working on a revolution. I was selling the Government.

Mr. YOUNG. The Brazilian Government during the time of the revolution.

Mr. WEMPLE. Mr. Jonas, you just testified that you were working with Mayrink Veiga for approximately 2 months?

Mr. JONAS. Yes.

Mr. WEMPLE. That 2 months, during what period?

Mr. JONAS. In 1930; I cannot tell you exactly.

Mr. WEMPLE. About when, in 1930?

Mr. JONAS. I think it was the fall.

Mr. WEMPLE. June, July, August?

Mr. JONAS. More or less around that time. I am not absolutely certain.

Senator BONE. Mr. Young, you go on here and say:

> I had a delightful time on my vacation what little opportunity I had to be away.

You were busy at that time. Was that on orders for South America, or what was it occasioning this vast amount of work that you were compelled to do?

Mr. YOUNG. Over the past few years, I have not been very much on taking vacations. I may go away for a few days at a time, or a week.

Senator BONE. I have here a letter of August 25, 1932, from Mr. Jonas to Mr. Young, which I offer as "Exhibit No. 735."

(The letter referred to was marked "Exhibit No. 735" and is included in the appendix on p. 1910.)

Senator BONE. On August 25, 1932, while the Brazilian revolution was under way, Mr. Jonas writes you, Mr. Young, in New York and says [reading]:

> I was advised today to call on United Aircraft, and although our prices on the Brazilian order were approximately $1,100 high, I was given this order purely at the request of Mr. Mayrink Veiga, and I was very fortunate he was here or we would have lost. This order is being prepared and will be given to me on Monday. The prices quoted were as follows:

100 25-lb. fragmentation bombs, loaded	$34.50 plus 70 cents freight.
100 25-lb. " " empty	$20.50 plus 36 cents freight.
150 25-lb. demolition bombs, loaded	$33.50 plus 70 cents freight.
150 25-lb. " " empty	$19.50 " 30 " "
200 120-lb. " " loaded	$67.00 " 3.37 "
200 120-lb. " " empty	$26.00 " 1.66 "
5,000 hand grenades	$2.00 each net.

It is rather interesting to know that while your prices were approximately $1,100 high, Mr. Mayrink Veiga slipped the order to you.

Mr. JONAS. Mayrink and I were very good friends at that time, and I had done him a lot of favors, and I think he could well have afforded to give me the order with that reference.

Senator BONE. You say [reading]:

> The Peruvian order which I am sending tomorrow is taken at the prices you gave me over the telephone, and on this order we are approximately $250 high.

That was an order that you had actually taken. Through whom was that?

Mr. Jonas. I was informed that it was that high. Many a time a customer would give you that information when it is not true to make you think that you are getting the business at such a high price.

Senator Bone. You think that is just sales talk?

Mr. Jonas. I think it is just sales talk. Then it was also sales talk on my part to Mr. Young, to show that I was doing a too-good job.

Senator Bone. You say [reading]:

> because I will have an opportunity next week of quoting on over $200,000 worth of material, * * *

For what country was that material to be prepared?

Mr. Jonas. I think it was Bolivia; that was through W. R. Grace & Co.

Senator Bone (reading):

> I heard today from a man who happened to be in Cowdry's office that the Atlas Powder Company had received a large order from Bolivia for bombs.

Was the Atlas Powder Co. making bombs?

Mr. Young. No; they did not. That was just a rumor.

Senator Bone. That is indicated when you say later on that you are checking to see if the story was true.

I have here now a letter of August 26, 1932, to Mr. Jonas from the Federal Laboratories, Mr. Young, president, which I offer as "Exhibit No. 736."

(The letter referred to was marked "Exhibit No. 736" and is included in the appendix on p. 1911.)

Senator Bone. This letter reads:

> My Dear Frank: This acknowledges your letter of August 25th, giving us a copy of the United Aircraft order for Brazil.

Was United Aircraft working that close with you, to give you a copy of their order?

Mr. Jonas. On the bomb order. There was some mix-up on it, but Mayrink Veiga later placed the order direct for the bombs. But the United Aircraft had the entire list of material that they wanted.

Senator Bone. You go on further and say [reading]:

> * * * if you will send us a telegram when the signed order is put in your hands, all we will have to do is to release word and our entire organization will be functioning 100 percent to expedite shipment. I believe if we could get this shipment out in record short time it will help our chances on future business and we are going to show you some good work along this line.

What was this order that you had in prospect on which you wanted to function a 100 percent?

Mr. Jonas. That was the same order.

Mr. Young. That is the Brazilian order, I believe. I think it is very clear, Senator, from the letter. They were asking for a very close delivery time.

Senator Bone. On this matter of being the high bidder or at least above the lowest bidder, you have this to say in your last paragraph [reading]:

> I know you get a great deal of satisfaction out of taking an order on some other basis than being the lowest bidder. I think, when the situation is all

washed up, that Frank Jonas will have taken the full lion's share of all the business.

You had reason to know that Mr. Jonas was a very aggressive and enterprising salesman?

Mr. YOUNG. You always have pride in selling your goods on quality and not low price alone, and that is what I was complimenting him on. It is not just the case of seeing who can give the cheapest products.

Senator BONE. All of those products—were they called for on plans and specifications that required them to be built to a certain type?

Mr. YOUNG. Not all of them. There is a wide variance in the way different ones are purchased.

Senator BONE. Do these South American governments call for bids on stuff that they want or do they permit the munitions makers to frame up some type of death-dealing instrument and offer it to them on a basis where high and low bids are not of much importance?

Mr. YOUNG. Quite frequently it is put entirely into the hands of the manufacturer.

Senator BONE. The man who can convince them that these things will destroy human life to a greater degree than some other instrumentality—to that extent that man has a better chance of selling them, is that the idea?

Mr. YOUNG. They use a different military term to describe it than that.

Senator BONE. I understand, but I am not a military man, and I am not familiar with military terminology. I am trying to express it my own way, but that is true, is it not? The more effective the instrument is to kill people, the more likely you will sell it. That would follow, would it not?

Mr. YOUNG. Usually that is discussed as to the efficiency of the product to go off, whether you have so many duds, or the care with which it is machined. The standard of a fragmentation or demolition bomb is so generally defined that the sales talk is limited to the quality of your work in machining.

Senator BONE. Let us identify once more for the purpose of the record Mr. Figuerola. Can you tell us who he is? I have a letter here which I offer as "Exhibit No. 737", to Mr. Jonas from Mr. J. Cunill de Figuerola.

(The letter referred to was marked "Exhibit No. 737" and is included in the appendix on p. 1912.)

Senator BONE. Mr. Figuerola is writing to you, Mr. Jonas, under date of August 31, 1932.

Mr. JONAS. Yes, sir. I met Mr. Figuerola first on an inquiry from the Winchester Repeating Arms Co. He told me he was in the market for certain things, and Figuerola told me that he sold various other materials which he had in Europe or was agent for some concern in Europe.

Senator BONE. He operates out of New York City?

Mr. JONAS. He operates out of New York City and he claims he was operating in Europe.

Senator BONE. Does he live in New York?

Mr. JONAS. So I believe.

Senator Bone. How long have you known him?

Mr. Jonas. I have known him probably—well, I knew him 3 or 4 months prior to that letter.

Senator Bone. In his letter to you bearing this date that I have mentioned, he says:

> In accordance with your verbal request we take pleasure to submit the following information:
>
> We offer subject to prior sale.
>
> 50,000 Mauser infantry-type rifles, each complete with strap, sheath, and bayonet ---------- $18.50
>
> These arms are perfect and as good as new.
>
> Caliber 7 M/M—model 98 and 1926. Delivery within 4 weeks.
>
> 15,000,000 7 M/M cartridges for the above rifles at $16.50 per M------ ———
>
> This ammunition is in stock and was manufactured in 1918 and 1924. Perfect order. Delivery within 4 weeks.
>
> 5,000,000 7 M/M cartridges for the above rifles at $17.50 per M. Delivery within 4 weeks. This ammunition is in stock in perfect condition manufactured in 1919–24.
>
> 7 M/M cartridges of new manufacture at $23.50 per M. Delivery at the rate of 2 million per month. After the second month 3 million per month.

Senator Bone. Who would manufacture those cartridges?

Mr. Jonas. I don't know; probably he was quoting on the European products; undoubtedly he was.

Senator Bone. European products?

Mr. Jonas. Yes.

Senator Bone. You were not trying to sell American products, then?

Mr. Jonas. At that time there was a big inquiry from China, too, and there is another letter you referred to I think yesterday, from that concern that asked for these large quantities.

Senator Bone. Where is the Mauser gun made?

Mr. Jonas. It is made in various places, and it was formerly made in Germany.

Senator Bone. It is not made in this country?

Mr. Jonas. At first the Mauser was made by the Remington Arms Co.

Senator Bone. They have not made it for years?

Mr. Jonas. No.

Senator Bone. When they were offering this material they were not stimulating American manufacture, and of course the only interest an American jobber would have in this would be the commission he would make out of it. That is obvious.

Mr. Jonas. Yes, sir.

Senator Bone. So that it would not give employment to labor in this country.

Mr. Jonas. Undoubtedly not.

Mr. Wemple. I notice Mr. Figuerola in this letter signs his name of the firm of Manufacturers Export Co.

Mr. Jonas. Yes; that is an organization he had.

Senator Bone. Is this the same Mr. Figuerola who operates under the name of International Ordnance & Instrument Co.?

Mr. Jonas. So I believe.

Senator Bone. Now, we come to this next item as follows:

> 36 Schneider, light field guns model 97, caliber 75 mm complete with perfect condition and as good as new. The equipment includes carriage, limber, sights, optical instruments, and ammunition carriage. Price per each unit f.o.b., European port $7,500.

Is that the famous "75" French gun we have heard about?

Mr. JONAS. Yes: this is a list of material he had.

Senator BONE. In other words, Figuerola had this stuff?

Mr. JONAS. Yes: that he could sell.

Senator BONE. That also would not give any employment to American workmen?

Mr. JONAS. No, sir.

Senator BONE. The next item is 20,000 shells complete with ignition at $15, and then the next item is as follows:

> 60 antiaircraft machine guns, cal. 40 mm, model 1/39, latest model 930, new and ready for delivery. Price per unit, $14,500.

What kind of guns were those?

Mr. JONAS. I don't know anything about artillery.

Senator BONE. Presumably they were foreign guns?

Mr. JONAS. They were.

Senator BONE. They could not easily get that sort of stuff in this country?

Mr. JONAS. I do not think so.

Senator BONE. The next item is 50,000 shots for the above (40 mm) shells and shrapnel at $17, and then the next item is as follows:

> 50 Vickers-Terni, cal. 25. 4 mm. This is one of the latest war machine guns. It can be used as field or antiaircraft machine gun. It is used for tank equipment. Length of the barrel 762 mm. Total length of the gun 1455. Speed 150 per minute. Range 2,800–3,000 meters. Price complete per unit $1,830.

Obviously those are foreign guns.

Mr. JONAS. Yes.

Senator BONE. The next item is as follows:

> 30 75 mm Krupp field guns, model 95 L/24, cal. 75 mm. Each battery consists of 6 guns and includes 100 shrapnells per battery. Price per battery, $90,000.

Not only have we the French guns, but we also have German guns now, it seems. Then here is the following item:

> 20 mountain batteries complete, Krupp 75-mm guns, model 96 1/13. Each battery consists of 4 guns and the regular equipment with 100 saddles.
>
> 200 ammunition boxes and 400 shots (50% grenades and 50% shrapnels). Price per complete battery, with ammunition, $68,000.
>
> Additional ammunition for the above guns at $24.50.

One would think this fellow was getting ready to equip a whole army.

The CHAIRMAN. He could do it, if called upon.

Senator BONE. Apparently this Mr. Figuerola is in a class with Soley in England.

Mr. JONAS. You would think so from that list.

Senator BONE. Where would he get hold of the field artillery?

Mr. JONAS. I have not the slightest idea.

Senator BONE. Can you tell us how it is that a private citizen can quote field artillery of this type?

Mr. JONAS. I don't know how he could.

Senator BONE. How can that stuff be sold in this country so freely?

Mr. JONAS. I have never sold any, and I don't know.

Senator BONE. I am asking you how he could sell this stuff so freely in this country.

Mr. JONAS. I think there were several inquiries from China, and several people wrote over to get this equipment to be sold.

Senator BONE. The last item quoted in the list is as follows:

> 200 Hotchkiss machine guns, light type, for 7-mm cartridge, complete with two barrels, spare parts, and 88 straps for 50 cartridges each. Guaranteed to be in perfect condition, same as from the factory. Price, each, $400.

Then the letter closes with this statement:

> All the above equipment can be delivered very prompt from 4 to 6 weeks from date of the order and our acceptance. Terms of payment: Irrevocable letter of credit divisible and negotiable with expiration against shipping documents f.o.b. European port.

Can you give us any further light on that offer, which is one of the most astounding things we have had offered to us?

Mr. JONAS. I sometimes think it originated in his mind, but I don't have any knowledge of it.

Senator BONE. We have had Soley quoting under the signature of Mr. John Bell, the managing director, and there is no question about that.

Mr. JONAS. It might be true.

Senator BONE. You have no reason to doubt it?

Mr. JONAS. I have no way of proving it.

Senator BONE. You have no reason to doubt it, either.

Mr. JONAS. I guess you are right.

Senator BONE. He talks about a letter of credit so that all that is necessary to do is to establish a line of credit, and he had this equipment, sufficient to equip quite a whole army, available for sale.

Mr. JONAS. Yes.

Senator BONE. Under date of August 31, 1932, Figuerola writes you, Mr. Jonas, which letter I offer in evidence.

(The letter referred to was marked "Exhibit No. 738" and appears in full in the text.)

Senator BONE. In this letter Mr. Figuerola says:

> This is to confirm our verbal understanding in reference to offers that we mailed to you this even date.

Evidently he is referring to the document on which I have just examined you, Mr. Jonas; and then he goes on to say further:

> In the event that you effect a sale of said equipment, or any part thereof, the same being accepted by us as a commission of 5% of the total net of said sale shall be paid to you when the monies of the complete sale have been received and total deliveries of the material made.
>
> We beg to remain,
> Very truly yours,
> MANUFACTURERS EXPORT COMPANY,
> (Signed) JOSE CUNILL DE FIGUEROLA.

Now, can you give us any further light on Figuerola's operations in South America, or any light at all on any of his operations?

Mr. JONAS. I really don't know any operations he has done. He claims he has sold various stuff in South American countries, but I am not in possession of any information.

Senator BONE. He has also claimed that he placed his stuff in the hands of the revolutionary group.

Mr. JONAS. He has not made any claim like that to me.

Senator BONE. Do you know anything about his operations at all?

Mr. JONAS. No, sir; I do not.

Senator BONE. The Smith & Wesson Co., under date of September 7, 1932, writes to you, Mr. Jonas, which letter I offer in evidence.

(The letter referred to was marked "Exhibit No. 739" and is included in the appendix on p. 1913.)

Senator BONE. In this letter they say to you:

> During the return trip last night Capt. Beebe remarked that it might be well to approach Mr. Francis H. Love with quotations owing to the fact that "money had been found to finance certain Brazilian shipments."

Who is Mr. Francis H. Love?

Mr. JONAS. That is the United Aircraft.

Senator BONE. In this letter to you they quote the expression "money has been found to finance certain Brazilian shipments." What would that mean?

Mr. JONAS. That was the shipment from Mayrink Veiga we spoke of.

Senator BONE. Why would he quote that statement in this letter?

Mr. JONAS. I cannot account for what a man would do, but I feel certain he was referring to the United Aircraft.

Senator BONE. Why would Smith & Wesson Co. resort to such consideration and put it in quotation marks?

Mr. JONAS. That was an inquiry from Mayrink Veiga.

Senator BONE. Are you sure that was stuff going to the revolutionists?

Mr. JONAS. Yes.

Senator BONE. You are quite sure of that?

Mr. JONAS. Yes.

Senator BONE. Who is Mr. Trest?

Mr. JONAS. That is Mr. Treat.

Senator BONE. You have already identified him.

Mr. JONAS. Yes, sir.

Senator BONE. It is written "Trest" here, and that is the reason I inquired. You were writing Mr. Treat under date of October 13, 1932, and this letter I offer in evidence.

(The letter referred to was marked "Exhibit No. 740" and is included in the appendix on p. 1914.)

Senator BONE. In this letter you were writing Mr. Treat as follows:

> Have supplied all the bombs and a lot of other military equipment to most of the countries fighting in South America, and if they keep it up much longer, I will have no cause to complain.

That is merely a repetition of what you have said in another form before?

Mr. JONAS. Yes, sir.

Senator BONE. You sailed down to Rio in October, 1933?

Mr. JONAS. Yes, sir; for the Remington Arms Co.

Senator BONE. Who is Walter P. Brown?

Mr. JONAS. He is an agent for an American concern in Sao Paulo.

Senator BONE. I have here a letter dated October 27, 1933, from yourself, Mr. Jonas, to Walter P. Brown, which is offered as an exhibit.

(The letter referred to was marked "Exhibit No. 741" and is included in the appendix on p. 1914.)

Senator BONE. This letter is addressed to Walter P. Brown in care of Byington & Co., New York. Who are they?

Mr. JONAS. That is their New York office.

Senator BONE. What does Mr. Brown do?

Mr. JONAS. He acts as shipping agent, and has been doing some buying.

Senator BONE. Do they handle arms?

Mr. JONAS. Byington & Co. does not handle arms.

Senator BONE. Look at the letter I have referred to, and there is a letter in longhand attached to it, dated October 21, in which there is reference to the fact that Figuerola did not play the game with you, meaning yourself, and he chided you a little and says that you should not put him in Figuerola's class because of that incident. What was this Figuerola deal that led Mr. Brown to make this remark?

Mr. JONAS. Figuerola bought some material for Brown, which he claims he only bought on the condition he would have to produce a license before he would deliver it.

Senator BONE. Produce what?

Mr. JONAS. He bought some material for Brown, ammunition and various other materials, and I happened to have introduced Figuerola to Brown, but I received nothing on the deal.

Senator BONE. Was Brown selling ammunition on the side?

Mr. JONAS. Brown was purchasing ammunition.

Senator BONE. For whom?

Mr. JONAS. I would ask no questions.

Senator BONE. You do not know who his principals were?

Mr. JONAS. I knew who the men were in New York who were with him.

Senator BONE. I mean who was he purchasing ammunition for?

Mr. JONAS. I did not try to get any information, but I told him if any purchases were made, nothing would be delivered unless he could get a State Department license.

Senator BONE. Are State Department licenses issued to any concern in this country when these military planes are shipped into the revolutionists?

Mr. JONAS. If they are shipped to the revolutionists, they cannot obtain licenses.

Senator BONE. But the revolutionists got the planes.

Mr. JONAS. I believe that shipment, from what I heard, was afterward delivered to the Government of Brazil, because it could not be shipped.

Senator BONE. Who are Carr Bros.?

Mr. JONAS. I don't know.

Senator BONE. There is a letter taken out of the files addressed to the Rectigraph Co.; do you know who they are?

Mr. JONAS. I don't know.

Senator BONE. Can you tell us, Mr. Young?

Mr. YOUNG. I don't know anything about this correspondence; it does not pertain to the Federal Laboratories, and I don't know anything about it.

Mr. JONAS. This seems to be some inquiry from Mayrink Veiga.

Senator BONE. It is indicated here that Mayrink Veiga was purchasing military equipment to the amount of $3,000,000. Do you think that is about right?

Mr. JONAS. I think so.

The CHAIRMAN. Mr. Young, you wrote to Mr. Jonas about some competitive tactics you were running up against. The Lake Erie Chemical Co. have been pretty serious competition to you?

Mr. YOUNG. Sometimes; yes.

The CHAIRMAN. Who is Mr. Huber?

Mr. YOUNG. I think he is their export man.

The CHAIRMAN. You state in this letter to Mr. Jonas as follows:

> I had an interesting conversation with the vice president of the Lake Erie Chemical Co. in Pittsburgh last week. I complained to him about Richardson's tactics and the tactics of some of their men here. He seemed to think it was smart. He stated one of his men, when asked recently by a police chief, "what about Federal and their products", spoke up and said, "I have never heard of the firm before. They must be a very small outfit or we would know about them." In another case the same representative of theirs replied to a police chief who wanted to know about the difference between the two products, stating there was no difference, that they made everything Federal sells and it all goes into the same pockets; that if the chief bought from them he would get the same thing.
>
> There is only one answer to competitive tactics such as this, that is, to be on the job and to demonstrate that they are liars in such a manner that they are out.

The letter from which I have just quoted is offered as an exhibit.

(The letter referred to was marked "Exhibit No. 742" and is included in the appendix on p. 1915.)

The CHAIRMAN. I now offer a letter under date of April 21, 1932, from the Lake Erie Chemical Co. to Mr. J. W. Young.

(The letter referred to was marked "Exhibit No. 743" and is included in the appendix on p. 1915.)[1]

The CHAIRMAN. This was the Lake Erie Chemical Co. writing to you in a friendly way on the way your agents were in his opinion swindling the bankers in Ohio and Indiana.

Mr. YOUNG. May I see that letter, please? This was a matter which did not pertain to the Federal Laboratories. It was a practice that has been followed by one of our agents on the side, and we knew nothing of it. When it was called to our attention the man was immediately spoken to about it.

The CHAIRMAN. I have here a letter of date August 9, 1933, from the Federal Laboratories, addressed to the Lake Erie Chemical Co., which is offered in evidence.

(The letter referred to was marked "Exhibit No. 744" and is included in the appendix on p. 1916.)

The CHAIRMAN. This letter, Mr. Young, sets forth certain activities in Washington about antigas legislation and then speaks of another meeting to come. What was that meeting you referred to?

Mr. YOUNG. The management of the two firms have tried to get together on such experiences as our salesmen had, and to eliminate that feeling, and one of the advantages coming from the N.R.A. is to make it more possible.

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[1] Reference is made to "Exhibit No. 743" in the proceedings of Sept. 21, 1934, in the examination of Lake Erie Chemical Co. See pt. 8, p. 1997.

Senator BONE. My heavens, have you folks got a code? Seriously, I am asking is there a code involved in this business at all?

Mr. YOUNG. Our company operates under a code.

Senator BONE. Would you file a copy of that with us. I would like to see it.

Mr. YOUNG. It is not a munitions code. We subscribed to the N.R.A., however.

The CHAIRMAN. Is this the chemical manufacturers' code?

Mr. YOUNG. No; our company first operated under the general code, and it operates now under the industrial safety equipment manufacturers' code.

Senator CLARK. You had a price-fixing agreement before the N.R.A.?

Mr. YOUNG. We have always had a price agreement with the Lake Erie Chemical Co. on products that are licensed under patents.

Senator CLARK. The very low things the management of the two companies had to say about each other—notwithstanding that, you had a price agreement?

Mr. YOUNG. That is prescribed under the patents, where under the present laws of the United States the owners of the patents can set the prices at which articles can be sold.

Senator CLARK. Your companies did get together on bids for the Department of Justice?

Mr. YOUNG. On those particular articles we did. It was not a case of getting together, but the requirement was that the contract should be sold at such a price, regardless of who the buyer was.

The CHAIRMAN. In that connection, I have before me a letter dated December 8, 1933, from the Lake Erie Chemical Co. to yourself, which is offered in evidence.

(The letter referred to was marked "Exhibit No. 745" and is included in the appendix on p. 1916.)

The CHAIRMAN. Mr. Young, were your foreign competitors rather aggressive in spreading false stories about your activities?

Mr. YOUNG. We ran into some serious arguments from other salesmen in the foreign territories just as we did domestically.

The CHAIRMAN. Who is N. E. Bates?

Mr. YOUNG. N. E. Bates was previously identified as an employee of the du Ponts, a salesman for the du Ponts.

The CHAIRMAN. He wrote you under date of January 11, 1934, which letter is offered in evidence for the record.

(The letter referred to was marked "Exhibit No. 746" and is included in the appendix on p. 1917.)

The CHAIRMAN. In this letter Mr. Bates says:

> I am very glad indeed to learn that your prices as given De Rossi are below the English and French quotations. I am very confident that should the Peruvians buy bombs they will get them from you through De Rossi.

The English and the French were active down there, were they?

Mr. YOUNG. They were very active.

The CHAIRMAN. In another letter reference is made to the mud thrown by the Czechoslovakian interests. What is the meaning of that?

Mr. YOUNG. I would take that in the sales vernacular they were trying to discredit the American manufacturers as being unable to supply responsible equipment.

The CHAIRMAN. Now, we have had all of this evidence of the tremendous severe competition between you and the Lake Erie people, and I would like to ask was there really any competition at all; weren't you working pretty much hand in hand with them?

Mr. YOUNG. No, Senator.

The CHAIRMAN. You had these price-fixing agreements?

Mr. YOUNG. Senator, these hand grenades and the gas and cartridges are patented, and the owners of the patents under the present law of the United States have the right to say what price a patented article shall be sold, and that was the price-fixing agreement which is referred to in the correspondence.

The CHAIRMAN. In a letter by Mr. G. Oberdick to Mr. C. W. Rich, dated July 13, 1934, reference is made to Major Harris; who is Major Harris?

Mr. JONAS. He is military attaché in Central America.

The CHAIRMAN. This particular letter has to do with business in Costa Rica. Have you been there, Mr. Young?

Mr. YOUNG. No; I was not.

Mr. JONAS. I was there.

The CHAIRMAN. In this letter Mr. Oberdick says:

> Unquestionably Frank has done a mighty nice job here and we are glad of the opportunity to crack down on some of this business. The price schedule as mentioned in your letter wholly meets with our approval. There are just two exceptions, etc.

Did you set up this price schedule?

Mr. YOUNG. That is the schedule I just explained to you, and we set that up, because we happened to own the patents.

Senator CLARK. You own the patents, but you are licensing your competitor?

Mr. YOUNG. Yes, sir.

The CHAIRMAN. In this same letter, in the concluding paragraph we find reference being made to getting the gas shipment ready and asking advice in advance as to how the cases shall be marked, and then saying that what you are mostly concerned about is how you are going to handle the Thompson gun and that you will wait further word from them before you take any action on it. What is the reference there to marking these cases?

Mr. OBERDICK. The shipping cases have to be marked according to the number and name of the department of the government to whom they are going, and we have to have the proper marking before we can determine what markings to use on the cases. All of the shipments of tear gas would have to bear the mark tear gas, and the Thompson gun also would be described as a Thompson gun, and we are merely working out the details of the numbers to be put on them.

The CHAIRMAN. You are following the rules which you have stated would not let you sell a gun to any individual in the United States while you might loan it in an instance, but you would not sell it. However, you were selling them for their foreign market?

Mr. YOUNG. I do not say we would not sell an individual, but I say we will not sell an individual except where it was approved by the Department of Justice of the United States.

Senator BONE. Does it require a lot of detail work to mark a package of Thompson machine guns?

Mr. OBERDICK. No; but you have to have instructions as to what to put on the cases.

Senator BONE. If you put on it "This package contains Thompson machine guns", wouldn't that be sufficient?

Mr. OBERDICK. That is not what I mean; but what I am referring to is the correct name of the department of the government to which it is going.

The CHAIRMAN. Who were these guns for?

Mr. OBERDICK. The Costa Rican Government.

Mr. RICH. I can clear that up. We were consolidating shipments from three different points, and we wanted to get the case numbers so that we would not have two cases of the same mark, as no. 1, or same mark as no. 4 or no. 5.

The CHAIRMAN. Mr. Jonas, in connection with your business in San Domingo you had a conference with Mr. W. E. Dunn?

Mr. JONAS. Yes, sir.

The CHAIRMAN. Who was Mr. Dunn?

Mr. JONAS. Mr. Dunn was loaned to the San Dominican Government to handle finances.

The CHAIRMAN. Loaned to the government by whom?

Mr. JONAS. By the United States Government.

The CHAIRMAN. And you had a conference with him?

Mr. JONAS. Yes, sir.

Senator BONE. What department is he in?

Mr. JONAS. I do not know what department.

The CHAIRMAN. He reported to you that the government had been victimized. Can you explain that incident?

Mr. JONAS. It was on a shipment we made to them, and I believe our competitors informed him we had asked too high a price. The San Domingo Government took everything and everything was paid for and they were our standard prices.

The CHAIRMAN. In a letter from you, you state, Mr. Jonas, that you are endeavoring to get in touch with Mr. Neitzger of the National City Bank to see what we can do. Who was Mr. Neitzger?

Mr. JONAS. Mr. Neitzger handled all of their finances in the National City Bank, and I had to put the money through the National City Bank; the credit had to be opened with the National City Bank.

The CHAIRMAN. Mr. Young, just one or two questions more. Reference was made yesterday to your brother. Is he a missionary?

Mr. YOUNG. Yes; he is.

The CHAIRMAN. Where?

Mr. YOUNG. In Ecuador.

The CHAIRMAN. How long has he been there?

Mr. YOUNG. He has been there about 12 years.

The CHAIRMAN. Is this brother demonstrating your gas bombs to South American countries?

Mr. YOUNG. No; he is not.

The CHAIRMAN. He has done that?

Mr. YOUNG. He had with him on his person one of these small guns because he travels up in the mountains, up the Amazon River, and I think in a friendly meeting one time he demonstrated that gun.

The CHAIRMAN. Demonstrated to whom?

Mr. YOUNG. I do not recall except I have a hazy recollection that he demonstrated one time to one of the Government officials.

The CHAIRMAN. On April 21, 1932, in a letter which I am offering for the record he makes certain statements which I will read.

(The letter referred to was marked "Exhibit No. 747" and is included in the appendix on p. 1917.)

The CHAIRMAN. Reading from the letter, he says:

> Yesterday I saw the Minister of War again and made arrangements to demonstrate today. The Minister, two generals, the head of the police of Quito and a number of officers and soldiers were present. I used the "Billy" first but I am sorry to say it did not prove a success. I shot it at two soldiers but they were able to stand the gas and get me. I then shot the grenade in a room and asked the men to go in. This was a real success and helped to gain what I had lost through the failure of the billies.

Senator CLARK. Did he say whether he got any converts on this occasion?

The CHAIRMAN. Reading this letter it says:

> Colonel Santor happened to be here on a visit and he witnessed the demonstration. I found out through his conversation with the minister that he seemed secured some gas grenades (larger than yours and black) through the American Brewer. Yoder. This, no doubt, is the reason he has been putting me off. It is more than likely that he got something out of it.

Who is Yoder?

Mr. JONAS. Yoder is an American brewer in Ecuador.

The CHAIRMAN. Then the letter goes on to say:

> Before leaving, the minister asked me to give him the best price on 100 "billies" and 200 grenades. I told him I would write you and have you send him quotation and terms direct. Address him Senor Don Leonardo Sotomayor Luna, Minestro de Guerra of Marina, Quito, Ecuador. Also send literature to Capt. Virgilio Guerrero, intendente general, Quito, Ecuador. This fellow has been in the States and speaks English. He would appreciate any newspaper clippings, etc.
>
> I have a letter from the Reed boys telling me that they are getting in touch with you. It may be best to have them as your agents from now on but I don't think they should come in for any of this first order as I—

The letter stops there, and we have not been able to find the next page of it in your files. Who are the Reed boys he refers to?

Mr. YOUNG. They were two boys in business in Ecuador to whom he turned this business over to handle.

The CHAIRMAN. Isn't this most unusual practice to have a missionary as your agent selling and soliciting orders and staging demonstrations?

Mr. YOUNG. No, sir; that is not an agent either, it is my brother, and he knows these men personally. I am sorry I don't have the next letter from him, and I will be glad to try to look it up in my files to see if I have a copy of it, where he said this is getting into a commercial business and I must draw out of the picture, and turn it over to the Reed boys.

He started on a friendly basis, and I think I can furnish you that letter. In addition, this is tear gas, it is not munitions sales that he is entering into.

The CHAIRMAN. He was demonstrating it to the war minister.

Mr. YOUNG. They needed it down there.

The CHAIRMAN. Are you going to argue it was not for military purposes, and that here you have a man who is a missionary at work selling this as a side line, or was his missionary work a side line?

Senator CLARK. Wasn't there a letter read here in which he spoke of his missionary work?

The CHAIRMAN. Something is said about that in this letter, "Exhibit No. 747", and we will read it. He says:

> MY DEAR JOHN: Since writing you last we have been in our Indian station in Agato, Otavalo. We had a week of joyful simple life. Our visit was a blessing to us, and we have reason to believe it was also a blessing to Miss Brown and Miss Robel, the two brave girls stationed there. Six or eight Indians showed a desire to follow the Lord, and we prayed with them. Some of them had made previous beginnings, but had been pulled down by sin. Indian work needs a great deal of prayer.

Mr. YOUNG. I think, Senator, that the conditions in Ecuador will warrant that work, if you are familiar at all with conditions there; and if you are, you would see the need of a humane weapon such as tear gas for use in their affairs; and I would not limit it to my brother in Ecuador, engaged in missionary work. Tear gas has many, many people who sponsor it because of its humane phase.

Senator CLARK. It is also an effective munition of war.

Mr. YOUNG. It is not munitions of war.

Senator CLARK. It was developed during the war to effect the advance of infantry.

Mr. YOUNG. It has not proved to be effective in war.

Senator CLARK. It was used effectively in the last war.

Mr. YOUNG. It was only used as a harassing instrument to make men wear masks.

Senator CLARK. It was used in the last war, was it not, as a munition of war?

Mr. YOUNG. I do not think the War Department today would consider it a munition of war.

Senator CLARK. It was certainly a munition of war during the last war, and it was developed in that way.

The CHAIRMAN. Mr. Young, it all strikes me, in the face of this case of your brother, and then your own activities, not alone indicate a humanitarian desire, but indicates very greatly a commercial desire. Here is your brother, by reason of his acquaintance and his closeness to the ministers of war and generals down there, breaking a way for you, opening up a market for you in that particular country. It is very advantageous to have a brother like that, is it not?

Mr. YOUNG. My brother has been very advantageous to me on many occasions.

The CHAIRMAN. And that, combined with your ability to walk into the Palace down in Habana and let people see you do have the right-of-way there; things like that mean a great deal in your business, don't they?

Mr. YOUNG. Those things we get enjoyment out of.

Senator BONE. What church does your brother belong to?

Mr. YOUNG. He belongs to the Christian Missionary Alliance. That is a missionary organization which is operating in Ecuador.

Senator BONE. He evidently believes in militant and muscular Christianity?

Mr. YOUNG. Senator, I do too, and I think there are a great many people who still believe in a national safety program which is accomplished through preparation.

Senator BONE. I take it you would give an entirely new significance to the old hymn, Onward, Christian Soldiers, and are we to understand that that old hymn is given a new meaning in a future war?

Mr. YOUNG. We are largely the product of early training, and while this country is going through a transition period, and where there is an attempt to condemn anything in the way of war, that is no sign we have not reached that stage.

Senator BONE. Do you think there is anything more sinful than war? Society will hang a man for taking another man's life, yet in the last war 10 million of the very best young men in the world were shot to death; they died a terrible death. Do you think there is anything sinful in that sort of thing? You are a churchman, I take it, and I am anxious to get your views for the benefit of the country at large on the ethical side of war.

Mr. YOUNG. My views are that preparation is the surest way of preserving peace.

Senator BONE. Europe was very well prepared in 1914, was it not, and Germany had the largest army in the world, and it was said France had an enormous army. Did preparedness stop that mess over there?

Mr. YOUNG. I have been in many arguments and discussions and frequently in debates on that subject. Belgium was not prepared, and I think there may be very strong argument on both sides.

Senator BONE. If neither Germany nor France had been prepared, and had been in the same position as little Belgium, that holocaust might not have occurred.

Mr. YOUNG. We might have been subjects of Germany.

Senator BONE. You believe in that, do you?

Mr. YOUNG. Our national propaganda during the war would lead us to believe that was true.

Senator CLARK. Nobody is silly enough to believe that national propaganda today, at this day and time.

The CHAIRMAN. Is that not pretty well recognized now as being propaganda?

Senator BONE. Who started that propaganda?

Mr. YOUNG. I don't know.

Senator BONE. The munitions makers had a pretty large hand in it.

Mr. YOUNG. At that time I was not in the munitions business, and I know nothing about it.

Senator BONE. You know something about war, and I take it you know something of the background of it, or you would not be qualified to debate on this subject which you assured me a moment ago you had debated on. In view of that fact you would be qualified to express an opinion to the committee.

Mr. YOUNG. I would rather not any further, Senator.

Senator BONE. I asked Mr. Jonas a moment ago about Mr. Pickerell. Are you sure of the date of his withdrawal from the Government service?

Mr. JONAS. I am not, but it was some years ago.

Senator Bone. If it should be made to appear he did not retire as consul there until July 1934, will you advise us whether that is accurate?

Mr. Jonas. Yes, sir; I will. I am positive he was not consul there at that time. He has been retired quite some years now.

Senator Bone. You think he has been retired for some years?

Mr. Jonas. Yes, sir.

The Chairman. Mr. Young, in your competition, at least in Latin America, there is a large meaning given to titles and names, is there not?

Mr. Young. I think they give more attention to that, probably, than in some of the other countries.

The Chairman. Yesterday there was identified by Senator Vandenberg a letter dated May 11, 1934, addressed to yourself, in which reference was made to the fact that names could be put to large advantage down there. When was your Federal Laboratories Co. organized?

Mr. Young. 1923.

The Chairman. How did it come to be called "Federal Laboratories"?

Mr. Young. I don't know. I had nothing to do with the naming of it.

The Chairman. I will ask that this letter to which reference has been made, dated May 11, 1934, from Mr. Young to Texidor, be incorporated as an exhibit in the record.

(The letter referred to was marked "Exhibit No. 748" and is included in the appendix on p. 1918.)

The Chairman. Mr. Young, I show you some very handsome catalogs of your company; I believe these were issued by you?

Mr. Young. We had some catalogs issued.

The Chairman. Here is one, for instance. How broadly is that circulated?

Mr. Young. That is distributed in military circles.

The Chairman. In what country, our own country?

Mr. Young. Yes; and abroad.

The Chairman. Anybody who is in the market and has the money, wanting to buy, gets this catalog?

Mr. Young. I would not say that. I think our records show our sales have been to governments and not to individuals particularly.

The Chairman. For the committee's record, these evidences of your salesmanship in the form of these catalogs will be included as exhibits for the committee and given the Exhibit Nos. 749, 750, 751, 752, 753, and 754, and perserved as such, but not to be made a part of the printed record.

(The catalogs referred to were respectively marked "Exhibits Nos. 749 to 754", inclusive, and are filed with the committee.)

Just one more thing, Mr. Young, do you advertise in some magazines?

Mr. Young. Yes; we do.

The Chairman. How extensive an advertising expense do you have annually?

Mr. Young. Very, very little.

The CHAIRMAN. I observe that you do have an advertisement in a magazine called "Bolivia."

Mr. YOUNG. We do.

The CHAIRMAN. Who publishes that magazine?

Mr. YOUNG. That magazine is published in the interest of the Bolivian Government. We have an ad appearing in there as complimentary to the Government after we had received some business. The consul said, "This is published for the goodwill of the Bolivian Government and circulated through the universities and throughout the United States. Would you care to put an advertisement in it?" And we placed an ad in it to help support the magazine.

The CHAIRMAN. Have you seen the magazine?

Mr. YOUNG. Yes; I did.

The CHAIRMAN. If the magazine is dependent upon advertising, then it is fair to say that the munition makers in America support that magazine, is it not?

Mr. YOUNG. I think that was done for the same reasons which everybody else was shipping into Bolivia, and, for instance, munitions were the principal thing going in at that time.

The CHAIRMAN. Munitions were the principal thing going in at that time. We have those who are arguing today that this investigation might easily lead to trouble, and that, at least, it is going to ruin our business in South America. In Bolivia, if it injures the munitions business, what part of the total business done, commercially, in Bolivia is going to be injured.

Mr. YOUNG. I do not know, Senator.

The CHAIRMAN. You have said that the largest part of the business going to Bolivia is munitions.

Mr. YOUNG. I am no authority on that.

The CHAIRMAN. I notice from this magazine, which I am offering also as a committee exhibit, the advertisements of a number of American industries. I am just going to run through them.

(The document referred to was marked "Exhibit No. 755" and is filed with the committee.)

The CHAIRMAN. I find here the names of the following companies: All-America Cables, Webster & Ashton; that is, the International Harvester Export Co.; the Bolivian Railway Co.; the Ford V-8; the Bank of Bolivia; Chrysler Export Co.; Webster & Ashton, commission agents and representatives; and then, as having relation directly to the munitions industry, the remaining advertisers are as follows:

Here is Curtiss-Wright Export Corporation with a full page; General Motors, controlled by the du Ponts, with a half page; here is a tire advertisement, Goodyear tire advertisement; Federal Gas Munitions Co.; Federal Laboratories, Inc.; Bolivian Power, a tide water oil company; Remington Arms; American Armament; Colt's Patent Firearms Manufacturing Co.

This magazine seems to be pretty much supported by the munitions industry.

Is it represented to you as being supported by the munitions industry?

Mr. YOUNG. I do not know. I spent $70 on it, Senator.

The Chairman. $70 per month?

Mr. Young. No; I put in, I think, two ads altogether.

The Chairman. Both the same price?

Mr. Young. About the same price.

The Chairman. Your advertisement here is a quarter page, so that that is $35 a quarter page, is it not? Is that about it?

Mr. Young. It was about $70 per insertion.

The Chairman. Per insertion?

Mr. Young. Yes; and I think we had two insertions.

Senator Bone. One of your very ornate catalogs here seems to be entirely taken up, so far as the illustrations are concerned on the cover, with labor troubles. You show a scene which I take to be a graphic scene from the West Virginian coal strike, with the streets full of gas; then you show an illustration entitled "Against California Communists", and then another one of the Weirton, W.Va., strike. Was that the steel strike?

Mr. Young. That was during the steel strike.

Senator Bone. And another one taken at Pittsburgh, Pa. Here are a couple of uniformed officers standing on the steps of the United States Capitol with gas guns in their hands. Was the Capitol in danger? Is that the reason you ran this picture?

Mr. Young. That, Senator, was when the hunger marchers came down on the Capitol.

Senator Bone. That was to be used on the hunger marchers, was it?

Mr. Young. No; that was to be used to protect the Capitol from any mass rush.

Senator Bone. Did you think they were going to rush the Capitol and do something to Congressmen?

Mr. Young. I am photographing what the police department had done there.

Senator Bone. Then you show a scene at Steubenville, Ohio, being a street scene with gas filling the streets. Then you show a scene of the Clairton steel strike. Where is Clairton?

Mr. Young. In the vicinity of Pittsburgh.

Senator Bone. Then you show a scene of the Fayette County coal strike. Is that in Kentucky?

Mr. Young. That is in Pennsylvania.

Senator Bone. Then there is another picture of a Los Angeles street scene in a Communist riot and a scene in Clarksburg, W.Va. What happened down there?

Mr. Young. That was a coal strike, and I think they killed one or two people.

Senator Bone. Then you show a scene marked "New York State", with a street filled with gas. What was that?

Mr. Young. That was a milk strike.

Senator Bone. Then you show a picture taken at Ambridge, Pa., "End of a stubborn strike." Apparently it was intended to show the gas end of this stubborn strike. What was that strike?

Mr. Young. That was a strike in which they had stopped men from going into the mill by beating them into unconsciousness. The pickets were armed with clubs about 3 feet long, pieces of concrete, and bricks, and sent several employees who attempted to go to work to the hospital.

Senator BONE. Here is a scene marked "Wisconsin milk strike." What are they? Farmers?

Mr. YOUNG. That was a picture of the National Guard endeavoring to control the Wisconsin milk strike.

Senator BONE. But the men whose pictures are shown here are not National Guard men. They are in civilian clothes.

Mr. YOUNG. Then it would be deputy sheriffs. The National Guard controlled most of that.

Senator BONE. In another part of your literature you refer to white phosphorus grenades. What are they?

Mr. YOUNG. They are incendiary.

Senator BONE (reading):

> The burning phosphorus is hurled in all directions for ranges of 50 to 75 feet. Casualties are produced by the phosphorus particles, burns from which are very painful and long healing.

For what was that sort of device intended to be used?

Mr. YOUNG. That is purely military, and is not sold except to a government or a war department. As a matter of fact, it has never been sold.

Senator CLARK. Mr. Young, I understood you to say that your price-fixing agreement with the Lake Erie Co., which is now known as the United States Ordnance Engineers, is it not?

Mr. YOUNG. Yes, sir.

Senator CLARK. I understood that that had only to do with patented articles which you control?

Mr. YOUNG. Yes, sir.

Senator CLARK. I have before me a letter dated April 19, 1933, from you to Mr. B. C. Goss, president of the Lake Erie Chemical Co., in which you state:[1]

> Referring to meeting held in Youngstown, Ohio, on March 27, relative to the matter of sizes and prices of grenades and candles and price of billy, we hereby submit the following schedule, effective May 10, 1933.
>
> We believe it best to designate the size of the grenades or candles in the terms of the lachrymator contents. We understand that we are both using CN, but any substitute for CN would come under the same classification:
>
> 1. Pocket-size grenade: Contents 17 grams CN. Price, $5 each.
> 2. Standard-size grenade: Contents 26 grams CN. Price, $8 each.
> 3. Jumbo-size grenade: Contents 85 grams CN. Price, $10 each.

Do you control the patents on all of them?

Mr. YOUNG. Yes, sir.

Senator CLARK. Mr. Goss writes back to you, under day of February 14, 1933:[2]

> You will probably also recall that, when Mr. Conkling developed his fast-burning grenade with the rows of openings down the side (which you so successfully copied or imitated immediately after we put same on the market), the name candle was retained by the Army merely as a means of distinguishing it from the small grenade having a smaller filling, although the new one was intended for throwing, and, therefore, obviously a grenade.

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[1] This letter was entered into the record during the proceedings of Sept. 21, 1934, in the examination of the Lake Erie Chemical Co. (See pt. 8, p. 1996.) It was marked "Exhibit No. 799" and appears in the appendix to part 8 on p. 2074.

[2] This letter was entered into the record during the proceedings of Sept. 21, 1934, in the examination of the Lake Erie Chemical Co. (See pt. 8, p. 1997.) It was marked "Exhibit No. 800" and appears in the appendix to part 8, on p. 2075.

Was that a case where you were jumping their patents?

Mr. YOUNG. No, sir. The Conklin patent was an improvement on this [exhibiting sample], which put side channels down the inside of the grenade. The improvement on our grenade has the side channels on the outside.

Senator CLARK. What does Goss mean when he states that you so effectively copied it or imitated it immediately after putting it on the market?

Mr. YOUNG. That was his opinion of what had happened.

Senator CLARK. Then he says:

> You successfully doublecrossed us twice on this Washington police business; the first time, by quoting $5.50, while we quoted $8.00 in accordance with our contract with you, you claiming to have misunderstood the contract. The next time a chance to bid came, although you had, on the previous occasion, advised that you fully understood the contract and would abide by it in the future, we again quoted $8.00. You waited until the last minute before the bids were to be opened, being certain that our bid would already be in, as it was, and again changed your bid to $5.50, so that once more you got the order.

Mr. YOUNG. That was a misunderstanding. We sell the Government at a lower price than we do the municipal police departments, and their price was not determined; there was no set notice which we should give the Lake Erie Chemical Co. of a price to be set, and before sending in our bid I telephoned them and told them we would reduce it to $5.50. They had previously mailed in their bid at $8 but had an opportunity to submit another bid and got their bid in also at $5.50.

Senator CLARK. Goss says here that you doublecrossed them by pretending to make a mistake, and then after you said you fully understood the contract did the same thing again. Is that true?

Mr. YOUNG. He thought that the short notice did not give them time to get their bid in, and they did get a second bid in under their agent's name.

Senator BONE. There was a price-fixing agreement as to the price at which you should sell the Washington police department?

Mr. YOUNG. Yes, sir.

Senator CLARK. That goes on a little later in the letter, as follows:

> I am compelled, however, to say that every agreement you have ever made with me, you have violated almost before the ink was dry on your signature, and I have your instructions to representatives over your own signature, directing them to use misrepresentation which you have specifically agreed not to use.

What was your reply to that communication?

Mr. YOUNG. I did not agree with him at all.

Senator CLARK. You did not agree with him at all?

Mr. YOUNG. No, sir.

Senator CLARK. I do not know that I blame you for that. What was the arrangement which you had with the Lake Erie Chemical Co. by which, after a bid had been submitted to the Department of Justice, you agreed to have the Department of Justice reopen the bids?

Mr. YOUNG. This time the shoe was on the other foot. They, I believe, had given a discount which had not been provided for, and I endeavored to ask the Department of Justice to let it go through, and nothing could be done of it.

Senator CLARK. Here is a letter from Mr. A. S. Ailes, Mr. Young.

He is vice president of the Lake Erie Chemical Co., is he not?

Mr. YOUNG. Yes, sir.

Senator CLARK. It is dated December 8, 1933, and states:

> MY DEAR JOHN: My understanding was that you were going to call somebody down at the Department of Justice and have permission granted for us to amend our bid offering two percent discount, the same as you and I further understood that you were going to notify me if you secured such permission.
>
> That seems to be a more simple procedure than having the Bureau throw out the bids and re-advertise. I do not see where the payment to us of the 50-cent royalty would cure the situation.
>
> We are primarily interested in getting an even chance with the Federal Laboratories at Government business, not so much for the business itself but to offset the advertising your agents are doing all over the country that the U.S. Government uses Federal Laboratory weapons and munitions exclusively.
>
> The error having been made by the Federal Laboratories in direct variance with the written understanding, it looks to us like it is up to you to secure this permission for us to amend our bids.

Did you undertake to have the Department of Justice reopen the bids?

Mr. YOUNG. I asked them if they would reopen the bids.

Senator CLARK. Did you have any particular influence with the Department of Justice which would have led you to believe that you could control their opening or not opening of the bids?

Mr. YOUNG. This was in favor of my competitor. There is a ruling, I believe, that if the Government can have evidence that the cost can be cheaper, and it is agreeable to all parties to rebid, that the Government can throw out the bids and have a rebid.

Senator CLARK. Did you call the Department of Justice?

Mr. YOUNG. I did call the Department of Justice.

Senator CLARK. Now I find that on April 19, 1932, the Lake Erie Chemical Co., through B. C. Goss as ex-lieutenant colonel, Chemical Warfare Service, as he signs himself in a communication to the Government, complains to the General Supply Committee of the Treasury Department, saying:

> In accordance with our conversation of recent date, we wish to register a protest on the recent award to Federal Laboratories, Pittsburgh, on gas guns, one and one-half-inch bore, gas billies, and tear bombs, on the ground that there was no competition and that this company was not given the opportunity of bidding on this equipment, and on the further ground that the prices at which awards were made were, in some cases, unreasonable.[1]

Did you secure business from the Treasury Department without bidding on it?

Mr. YOUNG. No; there was a bid.

Senator CLARK. They state in this letter there was no bidding. What is your feeling about that?

Mr. YOUNG. There was a bidding. They did not get their bid in.

Senator CLARK. Then sometime later, about 1933, the Lake Erie Chemical Co. filed a complaint with the Federal Trade Commission against you, that letter being addressed to the Federal Trade Commission, attention: Mr. Ishmael Burton, Chief Examiner, under date of January 23, 1933.[2]

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[1] This letter was entered into the record during the proceedings of Sept. 21, 1934, in the examination of the Lake Erie Chemical Co. (See pt. 8, p. 1997.) It was marked "Exhibit No. 802" and appears in the appendix to part 8 on p. 2076.

[2] This letter was entered into the record during the proceedings of Sept. 21, 1934, in the examination of the Lake Erie Chemical Co. (See pt. 8, p. 2003.) It was marked "Exhibit No. 806" and appears in full on p. 1816.

These will all be offered later in connection with another examination, but I want to read that letter:

> In accordance with our recent conversation at your office, we are herewith enclosing a copy of the catalogue distributed by the Federal Laboratories, Inc., Pittsburgh, Pa., and a copy of their advertisement appearing on page 96 of the January 1933 issue of the American Exporter.
>
> Their catalogue carries many reproductions of U.S. Army Chemical Warfare Service photographs which have been used to lead the reader to believe that they were actual photographs of equipment which was made by Federal Laboratories, Inc., when, in fact, Federal Laboratories, Inc., have taken Chemical Warfare Service photographs and stated that these same pictures represent actual material of their own manufacture.
>
> Many untrue statements have been made in describing the illustrations which are apparent to anyone familiar with chemical warfare and ordnance. Many of these are called to your attention in the marked copy enclosed.
>
> In the Federal Laboratories advertisement appearing in the American Exporter the statement is made "The largest cities on two continents use our gas-riot guns, billies, hand grenades, and pistols" whereas the Lake Erie Chemical Company supplies the police departments of New York, Chicago, Philadelphia, and many other large cities, as well as many large foreign cities.
>
> As indicated above, we wish to make a formal complaint against the advertising practice of the Federal Laboratories, Inc., Pittsburgh, Pennsylvania.

That is signed "The Lake Erie Chemical Co., A. F. Spring, assistant manager."

Mr. YOUNG. Yes, sir.

Senator CLARK. What became of that complaint, Mr. Young?

Mr. YOUNG. The case was dismissed by the Federal Trade Commission, I believe.

Senator CLARK. Did they conduct an investigation?

Mr. YOUNG. Yes.

Senator CLARK. Did you appear before them?

Mr. YOUNG. They had an attorney in our office making an examination.

Senator CLARK. Did they carry out the investigation?

Mr. YOUNG. No.

Senator CLARK. That is all.

Senator BONE. Mr. Young, what do you think the Christian Missionary Alliance—is that the proper name?

Mr. YOUNG. Yes, sir.

Senator BONE (continuing). Would think of the picture which your brother presents, a minister or missionary, with a tambourine in one hand and a gas bomb in another, figuratively speaking?

Mr. YOUNG. That picture of a missionary living out in the wilds of the upper Amazon is not very important, Senator.

Senator CLARK. Suppose the picture was taken in the office of the Minister of War?

The CHAIRMAN. With generals and the minister of war.

Senator BONE. He could not have been doing any Christian missionary work with the war minister.

Mr. YOUNG. My personal opinion is it would be all right.

The CHAIRMAN. Senator Bone, I do not want to cast any reflection at all, but of considerable amusement to me has been the excerpts from one judge's decision, taken from volume 81 of the American State Reports, the judge delivering the decision being one Dent. He declares:

> This is a suit from the peaceful shares of Randolph County, instituted by Clara, intermarried with Eli Moore, of Montrose, against her pa, the Reverend Anthony Mustoe, of Breitz, near the happy land of Canaan, the neighboring county of Tucker. * * *
>
> Eli entered the contest badly disfigured. The backbone of his evidence had been broken by the obstruction put in its way in the execution of the deed of trust and the note under seal, solemn acts which cannot be easily explained away, and by which he is estopped from telling the truth—not a great hardship on Eli.

A little further on the judge declares:

> The evidence tends to show that while pa Mustoe does a little preaching, trying to gather the lost sheep into the fold, and has one eye on the pearly gates, where the wicked cease from troubling and the weary are at rest, he keeps the other to windward in an endeavor to make friends with the Mammon of unrighteousness. * * *
>
> He appears to have stumbled onto the truth here, and afterward tries to correct himself, under the coaching of his counsel. He is probably a little absent-minded.

Then it concludes:

> When a man only preaches a little and undertakes to deal in the transitory things of this life, it is well always to have writings with him, as memory is one of the worldly things that may be counted uncertain.

The committee will recess until 2:30; and as to the witnesses who are now before the committee, all are excused except Mr. Jonas and Mr. Rich. We will want them back this afternoon.

(Whereupon the hearing was recessed until 2:30 p.m.)

AFTERNOON SESSION

ACTIVITIES OF FRANK S. JONAS AS A MUNITIONS AGENT

The hearing was resumed at 2:30 p.m. pursuant to the taking of recess.

The CHAIRMAN. The committee will be in order. Mr. Wemple, you may proceed.

Mr. WEMPLE. Mr. Rich, I have here four letters. The first one is a letter from yourself under date of March 21, 1934, written to Mr. Oberdick.

The second is a letter from Mr. Oberdick to yourself under date of March 22, 1934.

The third is a letter from you to Mr. Oberdick under date of March 22, 1934.

The last is a letter from Mr. Young to you under date of December 13, 1933.

I will ask you to look at these letters and tell us if they are true and correct copies of the letters that are in your files [handing letters to Mr. Rich].

Mr. RICH. They are substantially correct. I have no doubt they are true copies.

Mr. WEMPLE. I wanted that merely for the purpose of the record.

Mr. Jonas, in order to clarify the record a little bit, we were talking this morning about your activities in connection with some material that was purchased by certain Brazilian interests along in the fall or latter part of the summer of 1932.

About that time I believe you were employed by, or were in the employ of, the Winchester Repeating Arms Co.

Mr. JONAS. That is right, sir.

Mr. WEMPLE. Representing them in South America?

Mr. JONAS. Yes.

Mr. WEMPLE. Shortly after that you severed your connections. That was about when?

Mr. JONAS. About December 1932.

Mr. WEMPLE. About when?

Mr. JONAS. December 1932.

Mr. WEMPLE. December 1932?

Mr. JONAS. Yes.

Mr. WEMPLE. Are you sure it was not a little earlier than that, Mr. Jonas?

Mr. JONAS. I am not sure, it might have been.

Mr. WEMPLE. Some where along in August 1932?

Mr. JONAS. Oh, no. I severed my connections with them later.

Mr. WEMPLE. Later than that?

Mr. JONAS. Yes, sir.

Mr. WEMPLE. At that time, where was your office?

Mr. JONAS. 56 Pine Street.

Mr. WEMPLE. 56 Pine Street, you say.

Mr. JONAS. Yes.

Mr. WEMPLE. Under the name of ——

Mr. JONAS. Frank S. Jonas.

Mr. WEMPLE. This was in 1932?

Mr. JONAS. 1932; yes.

Mr. WEMPLE. You did not have any office space——

Mr. JONAS. Previous to that I had had office space in 21 West Street.

Mr. WEMPLE. In 21 West Street.

Mr. JONAS. Yes, sir.

Mr. WEMPLE. How much previous to that?

Mr. JONAS. I think I started in 21 West Street about March 1932 and in the fall I moved over to 56 Pine Street.

Mr. WEMPLE. You were there in the latter part of the summer, from June up until November 1932.

Mr. JONAS. It might have been as late as that; I cannot tell you.

Mr. WEMPLE. And that was the office of the Export Consolidated Co., was it not?

Mr. JONAS. That is right.

Mr. WEMPLE. Mr. Huber was head of it, was he not?

Mr. JONAS. Yes.

Mr. WEMPLE. And you were associated with Mr. Huber at the time?

Mr. JONAS. I was associated with Mr. Huber on Federal Laboratories at the time.

Mr. WEMPLE. You were associated with Mr. Huber on Federal Laboratories business only?

Mr. JONAS. Yes.

Mr. WEMPLE. Any other business you handled for yourself, is that right?

Mr. JONAS. Yes, sir.

Mr. WEMPLE. Along about that time, you had some dealings with a man named Figuerola, did you not?

Mr. JONAS. I did.

Mr. WEMPLE. Who was operating, we understand, under the name of the Manufacturers Export Co.

Mr. JONAS. That is right.

Mr. WEMPLE. The same gentleman operates today under the name of International Ordnance & Instrument Co.

Will you tell us briefly the extent of the dealings that you had with Mr. Figuerola?

Mr. JONAS. The only deal I recall having with Mr. Figuerola was a deal on some munitions.

Mr. WEMPLE. You say it was a deal on some munitions. What kind of munitions?

Mr. JONAS. Rifle cartridges?

Mr. WEMPLE. Rifle cartridges?

Mr. JONAS. Yes.

Mr. WEMPLE. What type of cartridges were they, Mr. Jonas?

Mr. JONAS. 30.06 Government cartridges.

Mr. WEMPLE. They were 30.06 Government cartridges. Now, were they cartridges manufactured by the Winchester or the Remington Arms Co., or do you know who manufactured them?

Mr. JONAS. No, sir; I do not know.

Mr. WEMPLE. You have no information about that?

Mr. JONAS. No.

Mr. WEMPLE. What was the extent of that deal, Mr. Jonas?

Mr. JONAS. The cartridges were paid for and stored.

Mr. WEMPLE. Just tell us how all of this came about. You had some sort of dealings with Mr. Figuerola. Did he approach you with some sort of a proposition, or did you approach him, or how did it happen?

Mr. JONAS. I think I approached him on it. Mr. Brown——

Mr. WEMPLE. Is that Mr. William P. Brown?

Mr. JONAS. William P. Brown; yes.

Mr. WEMPLE. Of Byington & Co., 165 Broadway, New York City.

Mr. JONAS. Yes, sir.

Mr. WEMPLE. He is their resident agent, is he not?

Mr. JONAS. Yes, sir.

Mr. WEMPLE. What did he do?

Mr. JONAS. He asked me to purchase some cartridges for him.

Mr. WEMPLE. You say that he asked you to purchase some cartridges for him?

Mr. JONAS. Yes.

Mr. WEMPLE. Did he tell you for whom these cartridges were to be purchased?

Mr. JONAS. I suspected, but I cannot tell you whether he did or not.

Mr. WEMPLE. You say you suspected. What did you suspect?

Mr. JONAS. From the information that I had from him, in talking to him I suspected that they were for Brazil.

Mr. WEMPLE. They were for Brazil?

Mr. JONAS. Yes.

Mr. WEMPLE. Were they for the Government of Brazil; that is, the government that was in power at that time, or did you suspect that they might be for the revolutionary forces, which later appeared in the picture?

Mr. Jonas. From the information that he gave me, it would be the Government.

Mr. Wemple. You say from the information that he gave you, you assumed that these cartridges were to be purchased for the government which was in power at that time in Brazil; is that what you say?

Mr. Jonas. No, sir; I did not say that. I said that he said it would be the Government that would get those cartridges.

Mr. Wemple. He said it would be the Government that would get those cartridges, but he did not say what the government would be; is that it?

Mr. Jonas. No, sir; he said it would be for the Government.

Mr. Wemple. That is, if the government that was in power should suddenly go out of power and the revolutionists step in, and they got the cartridges, that would be to whom the cartridges were consigned; is that correct?

Mr. Jonas. Yes.

Mr. Wemple. What was the nature of the transaction? You say that he wanted you to buy these cartridges?

Mr. Jonas. Yes.

Mr. Wemple. Did you buy the cartridges, Mr. Jonas?

Mr. Jonas. I paid for the cartridges for him. He bought the cartridges and I paid for them.

Mr. Wemple. You say you paid for them. If you paid for them, you must have bought them.

Mr. Jonas. Not necessarily. He bought the cartridges from Bannerman & Co.

Mr. Wemple. Bannerman & Co., they are second-hand dealers in New York, the people who own this Bannerman Island?

Mr. Jonas. Yes.

Mr. Wemple. They have an arsenal up there?

Mr. Jonas. Yes.

Mr. Wemple. Were these new cartridges?

Mr. Jonas. No; I do not think they were.

Mr. Wemple. They were old cartridges?

Mr. Jonas. Yes.

Mr. Wemple. Approximately how old, do you know?

Mr. Jonas. No; I have not any idea.

Mr. Wemple. What was the price of them?

Mr. Jonas. That I cannot tell you. I think around twenty dollars odd.

Mr. Wemple. $20 a thousand?

Mr. Jonas. Yes.

Mr. Wemple. How many cartridges did you purchase?

Mr. Jonas. One million.

Mr. Wemple. What was the total amount of the bill, do you remember that?

Mr. Jonas. No; I do not.

Mr. Wemple. Are you sure that the bill was not something around $23,500?

Mr. Jonas. It might have been.

Mr. Wemple. You have no knowledge of that?

Mr. Jonas. No, sir; I have not.

Mr. Wemple. But it was approximately that amount, was it not?

Mr. Jonas. Approximately.

Mr. Wemple. Who was associated with you in this purchase of cartridges that you were buying for Mr. Brown or upon Mr. Brown's say so?

Mr. Jonas. Well, Figuerola went up with me, and whether he or I made the payments I do not remember. I did not know where to get these cartridges, and Figuerola told me where to get them.

Mr. Wemple. You say that Figuerola told you where to get the cartridges. How did he come into the picture? Did you call him, or did he call you, or how did that come about?

Mr. Jonas. I do not know whether I called him or whether I met him or how it came about.

Mr. Wemple. So he told you where you could get them, is that it?

Mr. Jonas. Yes.

Mr. Wemple. And he went up with you to Bannerman?

Mr. Jonas. Yes.

Mr. Wemple. When the purchase was made?

Mr. Jonas. Yes.

Mr. Wemple. Did he pay over any money to Bannerman, or did you pay for these cartridges?

Mr. Jonas. I think he paid the money—I am not sure.

Mr. Wemple. Are you sure that you did not pay for them? I thought you just told us that you were purchasing the cartridges.

Mr. Jonas. Well, it is the same thing, whether I gave them the money or whether he paid for them.

Mr. Wemple. The question I am asking is, Who paid the money, actually?

Mr. Jonas. That I cannot tell you.

Mr. Wemple. That is, whether you paid the money or whether he paid the money?

Mr. Jonas. I cannot tell you that.

Mr. Wemple. Was it paid for by check or by cash?

Mr. Jonas. It was paid for by cash.

Mr. Wemple. If it was paid for by cash, who had the cash?

Mr. Jonas. I told you Mr. Brown gave me the cash.

Mr. Wemple. Brown gave you the cash?

Mr. Jonas. Yes.

Mr. Wemple. Then you had the cash and you must have paid for them.

Mr. Jonas. I either gave it to Figuerola to pay for, and Figuerola paid Bannerman—what I mean to say is one of us turned over the cash.

Mr. Wemple. You now say that one of you turned over the cash, and you have just testified that you received the cash from Mr. Brown.

Mr. Jonas. Yes.

Mr. Wemple. And that you received the cash from Mr. Brown, that you and Mr. Figuerola went up to see Bannerman, and it is quite natural to assume that, having the cash in your pocket, there would be no necessity of transferring it to Mr. Figuerola; so that you probably paid over the cash. Is that correct?

Mr. Jonas. That is correct.

Mr. Wemple. The price was something in the neighborhood of $23,500; is that right?

Mr. Jonas. Yes.

Mr. Wemple. Was there any commission on that deal, Mr. Jonas?

Mr. Jonas. I think there was a few hundred dollars.

Mr. Wemple. You think a few hundred dollars?

Mr. Jonas. Yes.

Mr. Wemple. Is it not a fact that they told you the price would be $23,500, and you said that you could not pay more than $23,200?

Mr. Jonas. I have just told you that I cannot remember all of the details. I have none of the figures. You could probably tell me more about it than I recall. You have all of the facts.

Mr. Wemple. As a matter of fact, the records of Bannerman & Co. indicate that $23,500 was the asking price; but that, according to certain statements which have been made to investigators who have investigated Bannerman, you stated to them that you could not pay more than $23,200.

Now, after this deal was consummated, did you at any time return to Bannerman Bros. and receive any rebate from them?

Mr. Jonas. No, sir; I did not.

Mr. Wemple. Do you know whether anybody else did?

Mr. Jonas. That I do not know.

Mr. Wemple. You have no knowledge of that?

Mr. Jonas. I have no knowledge of that.

Mr. Wemple. How much money was turned over to you by Mr. Brown. First, did Mr. Brown turn this money over to you personally?

Mr. Jonas. Yes.

Mr. Wemple. He personally turned the money over to you?

Mr. Jonas. Yes.

Mr. Wemple. Was Dr. Ferreira there at that time, Mr. Jonas?

Mr. Jonas. No; he was not.

Mr. Wemple. And he had nothing to do with it, did he?

Mr. Jonas. He had nothing to do with it.

Mr. Wemple. Did Mr. Brown give you the exact amount of the bill, or did he give you a sum that was considerably larger than the $23,500?

Mr. Jonas. He probably gave me the exact amount of the bill.

Mr. Wemple. You have no knowledge of how much he gave you; you have no recollection?

Mr. Jonas. No; I have not.

Mr. Wemple. You do not remember whether any other business was consummated at about that time, so that you would have some reason to have a larger amount of money in your pocket at that time?

Mr. Jonas. No. That is all that he gave me.

Mr. Wemple. Just an amount sufficient to pay for the purchase of those cartridges.

Mr. Jonas. Yes.

Mr. Wemple. In connection with Mr. Figuerola, you had some other dealings, I believe. Will you explain what they were?

Mr. JONAS. No; I do not recall having any further dealings, except that Brown asked me to buy him a boat.

Mr. WEMPLE. Brown asked you to buy him a boat?

Mr. JONAS. I told him I would not handle any boats.

Mr. WEMPLE. Did he tell you what he wanted the boat for?

Mr. JONAS. No; he did not.

Mr. WEMPLE. What did you do about it?

Mr. JONAS. Figuerola was there and Figuerola said that he would handle it.

Mr. WEMPLE. Figuerola was in Mr. Brown's office at the time?

Mr. JONAS. Yes.

Mr. WEMPLE. Do you know how he happened to be there? Had you called him?

Mr. JONAS. I think we had returned from this Bannerman deal. I cannot give you the details on it.

Mr. WEMPLE. That was after you had returned from the Bannerman deal?

Mr. JONAS. Yes.

Mr. WEMPLE. And Mr. Brown brought up the subject of purchasing this boat?

Mr. JONAS. Yes.

Mr. WEMPLE. And you told Mr. Brown that you would not handle it or have anything to do with it?

Mr. JONAS. That is correct.

Mr. WEMPLE. Did you suggest that he get in touch with Mr. Figuerola?

Mr. JONAS. Figuerola was there and I think Figuerola made the suggestion that he would handle it.

Mr. WEMPLE. Do you know what happened after that?

Mr. JONAS. What I read in the newspapers afterward and what Mr. Brown told me afterward.

Mr. WEMPLE. What did he tell you?

Mr. JONAS. That the boat had arrived and just about that time the revolution was over.

Mr. WEMPLE. You read in the newspapers that the boat had arrived, but this was before the boat had been purchased when you were all over there and talking about it, was it not?

Mr. JONAS. He told me that they had purchased the boat.

Mr. WEMPLE. Did you say that he told you they had purchased the boat or were about to purchase the boat?

Mr. JONAS. It was afterward; he naturally must have told me afterward that they purchased the boat.

Mr. WEMPLE. Did he describe to you the details of it?

Mr. JONAS. No.

Mr. WEMPLE. Did he say who had handled it, who had purchased the boat for him?

Mr. JONAS. He told me that Figuerola purchased it for him.

Mr. WEMPLE. Do you know Mr. Fred Zimmerman?

Mr. JONAS. I met Mr. Fred Zimmerman about a year ago.

Mr. WEMPLE. What is his business?

Mr. JONAS. Yachts. We had an inquiry for a yacht in our office and we got in touch with this fellow Zimmerman. This is probably a year and a half after the revolution.

Mr. Wemple. You never knew Mr. Zimmerman before that time, Mr. Jonas?

Mr. Jonas. I had seen him, but I had never met him.

Mr. Wemple. Did you know that Mr. Zimmerman and Mr. Figuerola had purchased the boat jointly?

Mr. Jonas. I heard that they had from Mr. Brown.

Mr. Wemple. You heard that through Mr. Brown.

Mr. Jonas. Yes. To be perfectly frank with you, I did not know whether they bought the boat jointly or not. The details of that, I do not know.

Mr. Wemple. But you heard that the boat had been purchased?

Mr. Jonas. That is correct.

Mr. Wemple. Was this on one of the occasions when Mr. Brown and others came over to your office in 21 West Street? That was when you were associated with Mr. Huber there that they discussed those matters in that office, was it not?

Mr. Jonas. No, sir; I do not remember any of those matters being discussed in the office.

Mr. Wemple. Did they discuss the purchase of airplanes?

Mr. Jonas. I do not remember any such discussion.

Mr. Wemple. In connection with this business, did you meet any other people? Did you meet Dr. Ferreira?

Mr. Jonas. I met Dr. Ferreira; yes.

Mr. Wempln. Did you meet Lt. Leigh Wade?

Mr. Jonas. Yes.

Mr. Wemple. The round-the-world flier?

Mr. Jonas. That is correct.

Mr. Wemple. He was a round-the-world flier, was he not?

Mr. Jonas. Yes.

Mr. Wemple. Whom else did you meet in connection with that matter?

Mr. Jonas. I think these were all that I met. I do not remember any others. There was some other man up here, but I did not meet him.

Mr. Wemple. And that is according to the best of your knowledge and recollection at the present time the full extent of your participation in any of the business which was carried on by those individuals?

Mr. Jonas. When you say "full extent", how do you mean?

Mr. Wemple. Just what the words imply, the full extent; you did nothing else?

Mr. Jonas. I heard that they had bought several things.

Mr. Wemple. What did you hear they bought?

Mr. Jonas. I am not sure—ammunition.

Mr. Wemple. What kind of ammunition? You have just testified that you assisted in the purchase of some ammunition, some 30.06 Government cartridges from Bannerman. What was this ammunition?

Mr. Jonas. I heard that they had bought some ammunition. The quantity, I cannot tell you.

Mr. Wemple. Where did they buy it, do you know?

Mr. Jonas. They were dealing with some other party. I do not know who it was.

Mr. WEMPLE. Was it in this country or in Canada?

Mr. JONAS. I do not know that they bought the ammunition in Canada.

Mr. WEMPLE. You do know that Mr. Figuerola made a trip to Canada, do you not?

Mr. JONAS. Yes; on the boat.

Mr. WEMPLE. You mean that the boat came down for him?

Mr. JONAS. I mean he went up there for the boat.

Mr. WEMPLE. You do not know for what else he made the trip?

Mr. JONAS. No, sir.

Mr. WEMPLE. What else did you know that they had purchased besides the ammunition?

Mr. JONAS. I think they had purchased some airplanes.

Mr. WEMPLE. Do you know from whom they purchased the airplanes?

Mr. JONAS. I heard they purchased the airplanes from Consolidated.

Mr. WEMPLE. That is the Consolidated Aircraft Co.?

Mr. JONAS. Yes.

Mr. WEMPLE. That is the company that has a factory in Buffalo, N.Y.?

Mr. JONAS. Yes.

Mr. WEMPLE. Did you hear who the principal in the deal was?

Mr. JONAS. I think I heard that they were dealing through Wade.

Mr. WEMPLE. That is the Lt. Leigh Wade, the former Army flier?

Mr. JONAS. Yes.

Mr. WEMPLE. He purchased these airplanes?

Mr. JONAS. That I do not know.

Mr. WEMPLE. But that is what you heard; it is just hearsay?

Mr. JONAS. Yes, sir.

Mr. WEMPLE. Do you know whether those planes were actually shipped or not?

Mr. JONAS. I believe they were shipped to the Brazilian Government; yes

Mr. WEMPLE. You believe they were shipped to the Brazilian Government?

Mr. JONAS. Or taken over by the Brazilian Government.

Mr. WEMPLE. They were bought originally, in any event——

Mr. JONAS. But not shipped.

Mr. WEMPLE. They were bought originally by the revolutionary government, or what was to be a government if the revolution was successful. But, due to the fact that the revolution was not successful, they were taken over by the government then in power. That is what you heard?

Mr. JONAS. Yes.

Mr. WEMPLE. Do you know whether those planes were delivered from Buffalo or were they delivered from some other place?

Mr. JONAS. I do not know.

Mr. WEMPLE. You do not know anything about it?

Mr. JONAS. No, sir

Mr. WEMPLE. Did you ever hear, during your travels in South America, that such planes had been delivered from Chile?

Mr. JONAS. I heard that some planes were sent up from Chile; yes.

Mr. Wemple. You heard that some planes were sent up from Chile to where?

Mr. Jonas. I heard Paraguay first. I heard that they were flown to Brazil.

Mr. Wemple. You heard that the planes were delivered in Chile and flown to Brazil across Paraguay?

Mr. Jonas. Yes.

Mr. Wemple. What else did you hear in connection with that flight?

Mr. Jonas. Very little of the details, because—what I mean is, the things I got, I would not talk about.

Mr. Wemple. Did you know that one plane did not get there?

Mr. Jonas. Yes; I think I heard that.

Mr. Wemple. Where did it go?

Mr. Jonas. I heard that Paraguay took it over.

Mr. Wemple. It dropped in Paraguay?

Mr. Jonas. Yes.

Mr. Wemple. It was not landed there; it just happened to drop in Paraguay?

Mr. Jonas. I do not know anything about it.

Mr. Wemple. I understand that this is just hearsay, but I want to get your story on it.

Aside from what you have just testified, now, you had no further dealings?

Mr. Jonas. Yes; I had further dealings.

Mr. Wemple. You did.

Mr. Jonas. Yes.

Mr. Wemple. What were they?

Mr. Jonas. They asked me to purchase some ammunition from Griffin & Howe.

Mr. Wemple. They asked you to purchase ammunition from Griffin & Howe?

Mr. Jonas. Or to present an order with Griffin & Howe.

Mr. Wemple. Griffin & Howe—are they the second-hand dealers, or what type of dealers are they?

Mr. Jonas. They deal in high-class guns. They are very expensive gunsmiths.

Mr. Wemple. They are associated with Abercrombie & Fitch?

Mr. Jonas. Yes.

Mr. Wemple. How did they happen to have sufficient ammunition to fill such an order as that?

Mr. Jonas. I could not tell you that.

Mr. Wemple. Did you purchase that ammunition?

Mr. Jonas. I did not purchase it. I placed the order for it.

Mr. Wemple. You placed the order for it?

Mr. Jonas. In accordance with Brown's instructions.

Mr. Wemple. Who paid for it? Did you pay for that in cash, the same as you paid for the other order?

Mr. Jonas. I paid for that in cash the same way; yes.

Mr. Wemple. How much did it amount to?

Mr. Jonas. The total amount? I do not know.

Mr. Wemple. Well, approximately.

Mr. Jonas. I kept no track of any moneys paid. I know that it was paid, and I would tell Brown how much it was, and he would pay me.

Mr. WEMPLE. Approximately how much was it?

Mr. JONAS. Well, there were different items; there were primers—I could not tell you the amount. The thing is out of my mind absolutely. May I add something there?

Mr. WEMPLE. Yes.

Mr. JONAS. On the conditions under which I bought that ammunition; there was a warehouse receipt, and it would not be delivered at any time unless they produced a State Department license.

Mr. WEMPLE. In connection with these dealings, the purchase of this ammunition and the other things that you have just testified to; what compensation did you receive for all of this?

Mr. JONAS. I was supposed to receive compensation from Mr. Brown.

Mr. WEMPLE. You were supposed to receive your compensation from Mr. Brown?

Mr. JONAS. From Mr. Brown.

Mr. WEMPLE. Who made the arrangements as to what the compensation was to be?

Mr. JONAS. Brown said whatever he made or whatever they gave him he would give me half of it.

Mr. WEMPLE. Who did he mean by "they"?

Mr. JONAS. I do not know his people.

Mr. WEMPLE. They were to give him $1,000, and he was to give you one-half?

Mr. JONAS. Yes.

Mr. WEMPLE. That covers the full arrangement?

Mr. JONAS. Yes; and that letter you have offered explains the whole thing.

Mr. WEMPLE. This letter that was introduced in evidence this morning?

Mr. JONAS. Yes, sir.

Mr. WEMPLE. The $1,000 payment he had received from Byington, of which you received one-half, or $500?

Mr. JONAS. Yes.

Mr. WEMPLE. That covers the only extent of your remuneration?

Mr. JONAS. Yes, sir.

Mr. WEMPLE. You have received no other moneys from any other source whatever?

Mr. JONAS. No, sir.

Mr. WEMPLE. Not from anyone?

Mr. JONAS. No one at all.

Senator CLARK. Who is Abercrombie you refer to?

Mr. JONAS. That is Abercrombie & Fitch.

Senator CLARK. This Bannerman Co. hold themselves out as being in the munitions business?

Mr. JONAS. I think so.

Senator CLARK. They get out a catalog advertising everything up to 6-inch guns.

Mr. JONAS. Yes; they had a very large place, I understand.

Senator CLARK. That is located at the arsenal on an island up the Hudson River?

Mr. JONAS. I think they are supposed to have one there, but I never visited it.

Mr. Wemple. In connection with this proposed purchase of a vessel, were you promised any commission by Mr. Figuerola?

Mr. Jonas. I was promised a commission, but no definite amount from him.

Mr. Wemple. You expected to receive something?

Mr. Jonas. Yes; I expected something. I had a share.

Mr. Wemple. Did you ever receive anything?

Mr. Jonas. I never received anything.

Mr. Wemple. You never received a cent from him?

Mr. Jonas. No, sir.

Mr. Wemple. Do you know whether anybody else ever received anything?

Mr. Jonas. No; I don't know that. I don't think I have spoken to Mr. Figuerola since. Yes; I did. I asked him if he had made any money on it, and he said he had not; he said he had to pay other people, or something of the kind.

Mr. Wemple. I believe in some of the letters offered in evidence you have freely expressed your personal opinion of Mr. Figuerola and you are not particularly friendly with him these days?

Mr. Jonas. Yes, sir; that it right.

Senator Bone. Do you know whether your company, the Federal, supplied the gas that was used in the San Francisco strike troubles?

Mr. Jonas. They told me they had, but I had nothing to do with it.

Senator Bone. Do you know anything about this Spokane trouble?

Mr. Jonas. No; except what he told me that they had shipped orders, but I know nothing of the details of it.

The Chairman. The witness will now be excused, but Mr. Jonas, before you leave for home my own heart tells me, and I think from conversations I have had with other members of the committee, what I am about to say to you reflects their views to some degree.

The committee does really appreciate your testimony. I am certainly aware of the fact of what it has meant to you to give the testimony which you have, and I do not expect there is going to be any job for you; I think you are not going to continue to have employment with the du Ponts, Remington, and the Chemical Co.

It is altogether fair to assume that within say the next few weeks these companies will be taking public baths, washing their hands of all of the sordid things they have done, and folks like you are going to lose their jobs; but there are others going to be employed to pursue the same identical policy.

I simply cannot excuse you without expressing, as I have, my appreciation of what it has meant to you to give the testimony you have given. You seem to be one of the few who have entered somewhat into the spirit of this investigation, and I hope if there is something more you would have given that you think will help us and help the world in the cleaning up of this munitions industry that is in so much need of cleaning up, you will reach us and let us know what further investigation we can make to advantage.

We do appreciate, Mr. Jonas, what you have done.

Mr. Jonas. Thank you, Senator Nye, it is very nice of you.

This concludes the record of the Federal Laboratories, Inc. The committee at this point took up the case of the Lake Erie Chemical Co. and the United States Ordnance Engineers, which is printed in part VIII.

APPENDIX

(" Exhibit No. 598 " appears in the appendix to Part V on p. 1396)

Exhibit No. 599

January 9, 1932.

Honorable Gerardo Machado,
President, Republic of Cuba, Havana, Cuba.

Dear Sir: Several times in the past we have addressed communications to you about the use of Federal tear gas weapons in supressing the revolts which are occuring with greater frequency in the Republic of Cuba. The weapons which we offer for your consideration are described in the enclosed folder. They represent the most modern equipment, not only for municipal police, but also for troops that engage in skirmishes with rioting mobs and with revolting soldiers.

The use of the more familiar methods of police in combatting mob disturbances only antagonizes the revolters more and gains for them popular sympathy which is exactly what the administration is trying to avoid. On the contrary, by using tear gas grenades, riot guns, and other gas weapons these revolts are just as effectively dealt with but no one is injured and there is no blood on the hands of the defenders of the nation. In the United States this policy of using tear gas in mob disturbances is now generally recognized as proper and efficient. Moreover the use of such weapons has extended into Mexico and Central and South American republics. Your own country would undoubtedly derive the same satisfaction from the use of modern, humane weapons.

In addition to our line of police weapons we also manufacture strictly military equipment for the dispersion of chemical substances. The catalog which we are enclosing herewith shows items which represent the latest developments in chemical warfare. These weapons are particularly useful in the many skirmishes which are carried on with rebels who flee to the hills and to out-of-the-way places where only aerial attack can be made.

We have been endeavoring for some time to discuss this matter with the proper members of your cabinet. Just recently we have started negotiations with the Cuban-American Trading Company, the president of which we have asked to represent us in a possible sale of our equipment to the Republic of Cuba. We believe you are acquainted with the gentleman in question and would like you to grant an audience with him so that this matter can be discussed thoroughly.

Of course, any sale of this equipment which we would make to you would be with the full sanction of the United States Government. We are working in close cooperation with the Chemical Warfare Department of the United States, and conduct our negotiations with only those officials that are recognized by the State Department.

Won't you please advice us through the proper member of your cabinet, the best means of presenting this matter to the police, army, and marine officials. We will thank you very much for any consideration that you give us.

Yours very truly,

Federal Laboratories, Inc.,
W. T. Neill.

WTN: MP.

Exhibit No. 600

Federal Laboratories, Inc., Pittsburgh, Pa.,
New York, N.Y., May 7th, 1932.

Mr. John Young,
Pres. Federal Laboratories, Inc.,
Pittsburgh, Penna.

Dear Sir: My brother, Elmslie, today introduced me to a colonel representing the Cuban Government, who is up here placing orders for various war material. He has just closed an ammunition order with him.

Among his requirements are the following and on which he must have a price here by Thursday morning and information regarding delivery dates. Kindly therefore reply by air mail or special delivery.

400 gas masks, at	$12.50 each.	
2 only 4.2-inch mortars	16.00	$32.00
2 only 3-inch mortars	15.50	31.00
300 demolition projectiles, 4.2	42.00 empty—	57.00 loaded
300 demolition projectiles	38.00 empty—	52.00 loaded
500 empty fragmentation bombs 30# with firing mechanism	19.00	
500 loaded fragmentation bombs 30#	46.00	
3 only riot guns	65.00	
100 long-range tear-gas cartridges	8.00	
100 long-range vomiting-gas cartridges	10.00	
100 30.06 Springfield rifles.		

The terms are cash with the order. My brother has seen his letter of credit, which calls for $50,000.00.

He is asking the United States Government for prices, but believes we can compete, as the Government has increased their prices and are evidently endeavoring to discourage them placing the order with them. He has frankly stated that I must add 10% to my prices to cover him. Kindly therefore bear this in mind in making your quotation and protect me with 25% on the bombs and my usual commission on the tear and vomiting gas equipment.

He thought that our prices on our demolition projectiles for the mortars high and as this is a cash order, please figure as close as you can.

If you are coming to New York in the very near future, I will arrange to have you meet this gentleman, otherwise he is prepared to go to Pittsburgh.

He spoke of a new type of bomb which was now being used by the U.S. Government in which he is interested. It is made up of a series of rings. I told him that you made the latest equipment in all types. Kindly therefore write me full particulars regarding the type of bombs you supply and give full information regarding the firing mechanism.

Please give this inquiry your immediate attention and reply immediately and keep in mind that the Government is also quoting. He has promised to show me the Government prices on Thursday.

Yours truly,

Frank Jonas

Exhibit No. 601

June 8, 1932.

Joaquin Demestre,
Teniente de Artilleria,
c/o Cuban Embassy, Washington, D.C.

My Dear Lieutenant Demestre: Referring to your inquiry of June 7th, we are pleased to quote the Cuban Government on the following equipment:

	Each
400 type B military gas masks, at	$12.50
2 40.2-inch Maxwell rifled mortars, complete, at	1,600.00
2 3-inch Maxwell rifled mortars, complete, at	1,550.00
300 demolition projectiles, 4.2-inch mortars, empty, at	42.00
Loaded with TNT or white phosphorous, at	57.00
300 demolition projectiles, 3-inch mortars, empty, at	38.00
Loaded with TNT or white phosphorous, at	52.00

(The above quotations are on rifled mortars and shells. A considerable reduction will be given if smooth-bore mortars are ordered.)

	Each
300 explosive rifle grenades, at	$3.50
500 empty fragmentation bombs, 30 pound, with firming mechanism (same as United States Govert.), at	26.00
500 loaded fragmentation bombs, 30-pound, with firing mechanism	38.00
3 only riot guns, at	65.00
100 long-range tear-gas cartridges, at	8.00
100 long-range vomiting gas cartridges, at	10.00

A few days ago I checked up on the Government prices on some of this equipment, and on the 4.2-inch mortar shells we were below the Government. We were also below them on the 4.2-inch mortars. In fact, I do not think any 4.2-inch mortars would be sold by the Government.

We recommend the 4.2-inch mortar over the 3-inch mortar, as the 3-inch shell does not have the large capacity.

We should be glad to have you come to Pittsburgh and see some of this equipment demonstrated at our factory.

We have just recently developed a 50-pound incendiary bomb which can be sold for $16.00 each. Our firing mechanism is the propeller type, similar to that in use by the Government.

Very truly yours,

Federal Laboratories, Inc.,
By ——— ———, *President.*

Exhibit No. 602

June 8, 1932.

Mr. Frank Jonas,
Room 810, 56 Pine Street, New York, New York.

My Dear Mr. Jonas: Replying to your letter of June 7th, we are pleased to quote the Cuban Government on the following equipment:

Commission figured			
10%	400 type B military gas masks, at	$12.50	$5,000.00
20%	2 4.2″ Maxwell rifled mortars, complete, at	1,600.00	3,300.00
20%	2 3″ Maxwell rifled mortars, complete, at	1,650.00	3,100.00
20%	300 demolition projectiles, 4.2″ mortars empty, at	42.00	12,600.00
	Loaded with TNT or white phophorous, at	57.00	17,100.00
20%	300 demolition projectiles, 3″ mortars empty, at	33.00	11,400.00
	Loaded with TNT or white phosphorous, at	52.00	15,600.00
	(The above quotations are on rifled mortars and shells. A reduction will be given if smooth bore mortars are ordered.)		
20%	300 explosive rifle grenades, at	3.50	1,050.00
20%	500 empty fragmentation bombs, 30-pound, at	19.00	9,500.00
20%	300 loaded fragmentation bombs, 30-pound, with firing mechanism, at	46.00	23,000.00
35%	3 only riot guns, at	65.00	195.00
35%	100 loug-range tear-gas cartridges, at	8.00	800.00
35%	100 long-range vomiting-gas cartridges, at	10.00	1,000.00

A few days ago I checked up on the Government prices on some of this equipment, and on the 4.2″ mortar shells we were below the Government. We were also below them on the 4.2″ mortars. In fact, I do not think any 4.2″ mortars would be sold. We recommend the 4.2″ mortar over the 3″ mortar, as the 3″ shell does not have the large capacity.

I believe it would be very much worth while to have this customer come to Pittsburgh with you and let us give him some demonstrations, and would recommend that you bring him on, providing he come before next Tuesday, as I am leaving Monday night for upper New York State and arriving in New York City Wednesday or Thursday. If he cannot come to Pittsburgh, and you have the negotiations in position to close, or you think my presence might help you in settling a few details, perhaps building an order up, I can catch the plane tomorrow afternoon, get in New York about 6:30, and spend Thursday evening with you and all day Friday.

It might be after you get your Government prices that we will have to make some adjustments, though on some items there is not much room for adjustment. At any rate, do not fail to call on me if I can be of any value.

I presume the new bomb he is referring to is the "Bouncing Betty." If that is the case, I am sure he cannot purchase it.

We have just recently developed a 50-pound incendiary bomb which can be sold for $16.00 each. Our firing mechanism is the propeller type, similar to that in use by the Government.

Very sincerely yours,

Federal Laboratories, Inc.,
——— ———, *President.*

J.W.Y.: G.O.

It is very difficult to add 10% on as you suggested. In the case of the mortars and shells we are competing with Government prices. The 4.2″ mortar shell is $57.50. We are quoting $57.00, as against our former price of $85.00. The $85.00 was given on a chemical shell which is a bit more expensive than the demolition, but we have made a very marked cut. $1,650.00 is the price on the Government 4.2″ mortar. We have quoted $1,600.00, which happens to be our regular list. Should we add the 10% to this? and go above the Government price?

Cuba has a price list of our equipment. Is it safe to jump prices 10% without getting your customer in trouble. I am going to let you and your customer add your 10% and where it is possible to do so we will cover you; where it isn't, I believe it will be necessary for you to work it out some other way. It would be so much better if we could discuss it than it is to write a letter before I know what we are up against on Government prices.

I think we should discuss with this man the following additional equipment: Jumbo hispeed combination tear and vomiting-gas grenades, $14.00; portable chemical cylinders, $155.00; airplane smoke screen apparatus.

J.W.Y.

Exhibit No. 603

El Agregado Militar Embajada de Cuba,
Washington, D.C., June 20, 1932.

Federal Laboratories, Inc.,
185 Forty-first Street, Pittsburgh, Pa.

Gentlemen: I am pleased to place with you an order for the following material:

200 explosive rifle grenades	$3.00	$600	FOB Pgh.
400 type "B" military gas masks	12.00	4,800	FOB N.Y. (pencil note)
3 riot guns	65.00	195	
100 long-range tear-gas cartridges	8.00	800	
		6,395	

This material will be inspected by the undersigned as soon as it is ready for delivery.

The total price of the above items, packed for export and delivered free alongside steamer in New York City will be $6,395.00. Half of the payment should be made with the order and the rest against shipping documents.

The boxes should be marked as follows:

EJERCITO, HABANA, CUBA,
CARE OF CUBAN CONSUL,
PIER L# EAST RIVER,
NEW YORK CITY.

The bill in quadruplicate is to be sent to this office.

Thanking you in advance for your kind attention to this matter, I am,

Very truly yours,

Joaquin Demestre,
Teniente de Artilleria,
Special commissioner of the War Department of Cuba for the purchase of war material.

Exhibit No. 604

July 7th, 1932.

H. E. Rau:

On the orders for Cuba, a total of $1,895.00 is to be paid to Lieut. Demestre. $340.00 has already been paid to him and I should be credited for this. The balance is to be paid to him when irrevocable letter of credit has opened for us in a Pittsburgh bank.

This letter of credit is to call for the entire balance due on the orders against shipping document.

If this letter of credit is opened by Friday, I suggest you send him a check through Mr. Barker, who will be in Washington Saturday. Check should be made payable to Mr. Barker so it can be cashed while he is in Washington.

J. W. Young.

Exhibit No. 605

Federal Laboratories, Inc.,
July 28, 1932.

Sold to: El Agregado Militar, Embajada De Cuba, Washington, D.C.
Shipped to: Departmento de Guerra Y. Marina, Havana, Cuba.
Invoice #14005, 14006, 14007; order #15826, 15971, 15820.
Terms: Net, f.o.b. Pittsburgh, Pa. Via: R.R.R. Florida East Coast. Florida East Coast Car Ferry.

200 explosive rifle grenades	$3.00 ea.	$600.00
400 type B military masks	12.00 ea.	4,800.00
3 1½″ cal. riot guns	65.00 ea.	195.00
100 1½″ cal. tear-gas projectiles	8.00 ea.	800.00
500 30 lb. mark V bombs as per your specification	24.50 ea.	12,250.00
500 primers & detonators	.35 ea.	175.00
30 fuzes & loaded tetryl tubes for 120-lb. bombs; no formal order received as yet. Billing will be made upon rec. of order		000.00
Total		18,820.00
Amount received in advance $6,125.00, $175.00, & $3,395.00		9,695.00

Balance due upon presentation of bill of lading $9,125.00

I hereby certify that this account is correct and is shipped as ordered. Payments received amounting to $9,695.00, balance due in the amount of $9,125.00.

Federal Laboratories, Inc.,
——— ———, *Sec.*

Subscribed and sworn to before me, a notary public, in and for Allegheny County, Pittsburgh, Pa., this 28th day of July, 1932.

——— ———, *Notary Public.*

Exhibit No. 606

Federal Laboratories, Inc.,
Protection Engineering,
Pittsburgh, Pa., August 20, 1932.

Sold to: El Agregado Militar, Embajada De Cuba, Washington, D.C.

Agent, Jonas: invoice no. 14416; order no. 16119; customer's order no., wire 7/25/32; letter 7/28/32.

Shipped to: Ejercito, Habana, Cuba, % Cuban consul, pier 13, East River, New York City.

Terms: Net b.o.f. New York. August 19; freight prepaid.

15 boxes steel forgings, n.o.i.b.n.: contents each box, 2 empty demolition bombs; total, 30 empty demolition bombs, at $41.46 each $1,243.80

Note. Bookkeeping department copy only.

Copies of invoices which were sent to New York through our bank read as above, except contents were described as letter of credit described them, or empty aviation pumps.

EXHIBIT 607

NEW YORK, N.Y., *Aug. 13, 1932.*

FEDERAL LABORATORIES, INC.,
Pittsburgh, Pa.
(Att. Mr. Young)

MY DEAR MR. YOUNG: I am in receipt of a letter from Demestre today stating that owing to certain developments he is compelled to place his business through the Prince Lauten Corp., so in figuring any prices on future business the 10% which you add to protect him you can either pay me or the Prince Lauten Corp., or you can tell them that you will pay them direct when you hear from them.

Yesterday Mr. Ryan called me by telephone and told me that he had received a certain order from Cuba, but as he was told not to divulge the source of the order he was not at liberty to tell me, but that if I objected to his quoting he would not do so. However, he would like to give them half the commission, to which I readily agreed. He stated he felt that it was due to my work that the order was developed, and for that reason he desired to protect me. I certainly appreciate his attitude, as he was willing to lose the entire order unless I agreed to part with my portion of my commission.

With regards, I am,
Yours very truly,

F. S. JONAS.

FSJ: RL

EXHIBIT NO. 608

[Translation]

HABANA, *Sept. 2, 1932.*

MR. FRANK JONAS.

DEAR JONAS: I received your letter of the 30th ult. with your quotation from Sedgley of the 29th.

1. As stated in my last letter, the business of repair parts should be handled as follows:

Sedgley must invoice these repair parts for the following amount: $3,694.90 f.o.b. New York, and he should fix the price list in accordance with this total quantity. It is enough to add 50% to each price.

As soon as Sedgley accepts these conditions we will immediately send the order with an irrevocable letter of credit against the Continental Bank of New York in favor of R. F. Sedgley for $3,694.90, irrevocable for 3 weeks. As soon as Mr. Sedgley receives payment he will deliver to you personally a check for $1,232.30.

From this quantity your commission is 5% ($111.00), and the balance, or $1,121.30, please deposit as follows:

Account 8927, Cumersinde Suarez National City Bank, New York.

If Mr. Sedgley will not accept this business on these conditions, please look for another source.

2. The Dominion Cartridge Co. have an agent in Habana, therefore they do not wish to give you the price. For your information, it is well for you to know that the activities of said agent cannot be successful, because the business is in our hands, and it is not agreeable for us to work with this agent, owing to the manner in which he has made his proposal.

If you are able, with this information we have given you, to obtain low prices from the Dominion Cartridge Co., there is a very big possibility of securing an order for two million caliber .30 cartridges.

3. Do not forget to send me information regarding the Tetryl press that I requested in my letter of August 29th.

Affectionately,

J. DEMESTRE.

EXHIBIT NO. 609

FEDERAL LABORATORIES, INC.,
Pittsburgh, Pa., U.S.A., Sept. 14th, 1932.

Mr. FRANK S. JONAS,
c/o Export Consolidated Companies,
21 West Street, New York, N.Y.

MY DEAR FRANK: Replying to your letter of September 12th relative to the 75 m/m shells, find we can have these manufactured for us with guaranteed delivery, starting shipment in sixty days and completing it in ninety days. The cost will be somewhere between $13.00 and $14.00. It will be necessary for us to add our profit, your commission, and that of the United Aircraft to this. I am in favor of quoting our net cost just as soon as I have it determined, and agreeing between us what each should take in the way of profit. Don't quote a definite price to Love until you hear from me further. I think this price is very reasonable for new equipment.

We are a little ahead of schedule on the first delivery of empty bombs. I wish we could be ahead of schedule on the final delivery, but we have had some bad breaks.

I am going east on Friday and Saturday and Sunday to help push things along and will possibly run up to New York on Monday. If you want to reach me Friday suggest you wire the Ben Franklin Hotel, Philadelphia.

If I can get an extension of three days on the letter of credit for the armored car for Cuba I want to go to Washington to show it to two or three of the Embassies. The ultimate destination of the car will be kept entirely secret and there is no reason for the Cuban Embassy to be called in on the display. It would be fine if you could be in Washington at the same time and drive back to New York with me. I would try to drive real nice for you.

I hope the Prince Lauten Corporation comes through on the Cuban tank. This will be a nice clean deal for us.

With reference to General Augilar's samples, do you mean that we should charge him. I believe Jones did not have this in mind, but wanted them sent down on memorandum, or perhaps at our expense. I will talk to you about this the next time I see you.

The armored trucks referred to by me were three five-ton White trucks with armored bodies and aluminum-panel finish, sold by me for approximately $9,500.00 each, eight years ago.

The trucks have been driven about 4,000 miles each and are in marvelous condition. They were used only for the transportation of pay rolls in some of the mills here. These pay rolls are now being handled by check and the trucks can be purchased practically at the buyer's own price.

Sincerely yours,

FEDERAL LABORATORIES, INC.,
JOHN W. YOUNG, *President.*

JWY: GO.

EXHIBIT NO. 610

NEW YORK, N.Y., *Sept. 26, 1932.*

Mr. YOUNG,
Federal Laboratories, Inc.,
Pittsburgh, Pa.

DEAR MR. YOUNG: Confirming our telephone conversation of today, I am in accord with your agreement to allow 27½% on the bomb order placed by W. R. Grace & Co. In turn I am to allow Grace & Co. 22½% of this discount. However, as you quoted the 100-lb. bombs at the 120-lb. price, I trust you will be able to allow me the difference in price so that I can protect Leon & Bonasegna and have something left for myself.

I today received a letter from Demestre advising me that Captain Castellanos, assistant to the chief of staff of the Army, was on his way here to purchase war material. It will principally consist of airplanes and machine guns. Among the various items he will purchase there will be an item for 100 100-lb. vomiting-gas bombs on which Federal has been specified.

As soon as I receive this order I will send same on to you. Demestre has requested that we increase the price 25% to take care of him, but on account of Lake Erie's competition I am afraid to try this. We can talk over this matter in Washington.

With regards, I beg to remain

Yours very truly,

F. S. JONAS.

FSJ : RL

EXHIBIT No. 611

[Translation]

HABANA, *Oct. 12, 1932.*

SR. FRANK S. JONAS,
Room 1702, 21 West St., New York.

MY DEAR JONAS: I received yesterday your letters of the 6th and 7th of October, enclosing mine of the 4th. Thanks.

Lincoln Automobile.—The liquidation of the automobile appeared correct to me. The difference between the $8,800 and the $9,000 which I sent should cover the freight and insurance. I found it reasonable that you held 5 percent for yourself, and if there is anything to be given to Prince Lauten we will fix it with him. The automobile is very much liked, so much so I have already given an order to the Federal for the construction of a new armored car. Yesterday we shot a Springfield 30.06 twice, one in the back of the car and one 7 inches below the rear glass. Neither of these two cartridges penetrated the metal. This proof has been a wonderful ad for the car and will probably write today to Mr. Young congratulating him on the work.

Parts from Sedgley.—I have not figured any commission for you on the $1,021.30, as without doubt Sedgley will give you 5 percent if you insist. Make Sedgley understand that future orders will be placed through your medium. Nevertheless, in case Sedgley refuses to give you commission, please advise me, and I will fix something for you.

Lake Erie Chemical Co.—A representative from this company has just arrived in Habana with the necessary equipment for making a demonstration of their gases.

This representative immediately commenced to discredit Federal Laboratories material, stating that the bombs purchased by me were no good and of an old type.

As you can imagine, no one has paid any attention, because the bombs were manufactured by Federal exactly in accordance with my specifications. Secondly, they have been tried out with good results; and, thirdly, because their sales methods in trying to discredit competitors brought no results.

I am telling you this so that you can advise Mr. Young of the procedure employed by Lake Erie Co. It is quite probable this company will not be able to sell anything here.

Yours very truly,

J. DEMESTRE.

EXHIBIT No. 612

DECEMBER 8, 1932.

NATIONAL CITY BANK,
55 Wall Street, New York, N.Y.

GENTLEMEN: Enclosed please find my check no. 1052 for $2,242.85, which kindly credit to the account of Gumersindo, Suarez, Habana, Cuba.

Yours very truly,

F. S. JONAS.

EXHIBIT NO. 613

FEDERAL LABORATORIES, INC.,

PROTECTION ENGINEERING,

PITTSBURGH, PA., U.S.A.

NEW YORK, N.Y., *February 7, 1933.*

Mr. JOHN W. YOUNG,
Federal Laboratories, Inc., Pittsburgh, Pa.

DEAR MR. YOUNG: The result of my visit to Havana was as follows:

Demestre wants to have you ship him to Secretaria de la Guerra y Marina, Ejercito, Havana, one bulletproof vest, medium size and one portable chemical tank. Kindly send me a supply of your invoices, as he will instruct me at what price to invoice these goods.

With reference to the armored trucks which you offered his Government, they are not interested as they have a number of chassis on hand and intend to do their own armor plating. They will send you specifications for the side plates and places where the holes are to be drilled. Mr. Demestre would like to know if these plates should be riveted or welded.

With reference to the 30-lb. chemical bombs containing vomiting gas, this order will be placed early this year as soon as the appropriation has been granted.

They require 1,000 steel projectiles 37 m/m as they have all the one-pound empty shells they require. He informed me that the American Government charged $7.50 for these projectiles and that France has quoted $3.98 f.o.b., but if you can meet the American price and advise him immediately he will cable to France suspending the order. They also want 1,000 fuses for these shells. The fuses are to be packed separate from the projectiles. The type of projectile required is the ordinary steel projectile. They have manufactured them in Cuba, but with a very low-grade steel and it is not satisfactory. I am today writing to Demestre to send you by mail the sample you request of the projectile. He would also like to hear from you immediately what price you can quote on 500 lbs. of white phosphorous with which he intends to load some 75 m/m shells and desires full information for loading. If we do not do this he will secure prices from some other source and it is my advice to you to grant his request as Demestre intends to give us everything he can.

They also require 400 service cannisters, M.I.V. hose of 27″. This order will be placed very shortly.

Credit: Demestre claims that as they are short of funds it would be very much easier to do immediate business with his Government if you would agree to 50% cash with the orders and the balance on terms. It is his opinion that there is no risk doing business on this basis as the Cuban Government has always met their commercial obligations. Both Remington and Colt's have extended them credit on this basis. In fact, on the orders which were placed six weeks ago no deposit was made and they were given six months in which to pay.

There are several matters I wish to take up with you, so kindly let me know when you expect to be in New York.

Pardon me for not writing you in further detail, but I have all my correspondence piled up and have not the time.

With regards, I beg to remain,

Yours very truly,

Frank S. Jonas.
R. L.
FRANK S. JONAS,

FSJ: RL

P.S.—Please return the enclosed letters from Leon & Bonasegna and advise me what action you and Thompson will take. Personally I recommend that you agree to their proposal. I am enclosing some newspaper clippings showing the Buenos Aires police on parade with our apparatus. Kindly return same to me immediately as I need them here in New York.

Encs:

EXHIBIT No. 614

FEBRUARY 24, 1933.

Lieut. J. DEMESTRE,
Calle Medrane, Buen Retiro,
Mariano, Havana, Cuba.

DEAR LIEUT. DEMESTRE: When Mr. Jonas returned, he was greatly concerned that we keep ourselves in position to give you very prompt service on your orders:

1. One thousand 37 mm projectiles at $7.50 each. We agreed to make these, but requested that you send us a sample so that the projectiles could be made to conform exactly to your sample. There are fifteen different models of projectiles to fit a 37 mm gun and we wanted to be sure we were giving you exactly what you wanted. Neither the order nor the sample has been received yet.

2. Armor plate. We have been holding ourselves in readiness to make very early shipment of the armor plate for your truck bodies. We are sorry to learn that you are not in shape to pick up the complete trucks upon which we quoted.

There is a great deal of talk in the newspapers here about the impending revolution and if we are to believe all that the newspapers say, I would certainly urge you to speed the placing of these orders all possible.

Very sincerely yours,

FEDERAL LABORATORIES, INC.,
——— ———, *President.*

JWY: GO

EXHIBIT No. 615

FEBRUARY 27, 1933.

DEMESTRE: I received your telegram late Saturday afternoon with reference to quoting you on Remington cartridges, and replied as follows:

"En contestacion a su cable tenemos que communicarle que con fecha de ayer hemos cotizado precio directamente al Jefe del Estado Mayor."

(Unfortunately, or as it happens fortunately, as the case might be), Rodriguez, Herrera's nephew (who was down in Habana at the time I was), told me that he could get this business owing to his connections with his uncle. Knowing that the order for the last 4 or 5 million cartridges which were purchased by your Government was placed thru him, due to his relationship with the general, I feel it would be very foolish to ignore him and not show at least some interest on his conversation with me on the subject.

I felt from the conversation I had with you in Habana that he was not in a position any more to control this business. However, about 4 days ago Rodriguez called on me and told me that he had had a talk with the general on the telephone, instructing him to place an order for 1 million cartridges and insisted on us giving him the lowest price. Together with Rodriguez I took the matter up with the Remington Co., and in front of me he telephoned direct to General Herrera, quoting him the price, and evidently from the conversation the general told him to close theorder and that a confirmation order would be forthcoming.

During my conversation with Rodriguez he mentioned your name and wanted to know if I had done any business with you. I told him that I had done business with the War Department on orders which you were instructed to place, and gave him no further information. From his remarks, however, I gathered that he was suspicious about the automobile deal and told me that the chauffeurs had not been paid the usual commission, as they both complained to him when he was in Habana about not receiving anything, and stated that they were informed that he, Rodriguez, had sold the cars. On investigation, he said that you had placed the order direct with us and that he could purchase similar cars at less money. I gave him no information and told him that you paid us the price we quoted and that was all we knew about it.

He says he is returning to Habana and intends to devote his time to Government business and wanted to know if I had an agent. Mr. Monaghan advised him that we had no Government agent for Remington, and I told him that we had an agreement for the Federal line with an outside agent. He said he also wanted to work this line, but I told him I was not in a position to do anything with him. Please write me at length telling me how you want to work with Federal and if you want me to make a contract with Gumersindo Suarez, so that I can truthfully say that I have an agent and cannot work with him.

It is certainly a most embarrassing position to be in as the proof of the pudding is the eating, and Rodriguez in the past three years certainly has produced business for the Winchester Co., and Remington were only too pleased to get the business away from Winchester.

I prefer to work with you, naturally, as your actions in the past have been most friendly and above board, and I will not commit myself until I hear from you. As regards the Remington deal, however, as you can see from the above explanation, I was unable to do anything other than I did.

Yours very truly,

F. S. JONAS.

P.S.—I certainly regret that the deal had to go through as it has, because in this instance I will only make 1 percent and had I been able to work with you I would have fared much better.

EXHIBIT No. 616

AUGUST 18, 1933.

Col. CARLOS MENDYETTA,
c/o S.S. Morro Castle, New York, N.Y.

MY DEAR COLONEL: I am sorry I cannot get to see you personally and say good-bye, but I learned you are sailing Saturday. I just wanted to express our congratulations to you and your associates on the marvelous outcome in Cuba. We, of course, regret that such a price of human life was paid, but it could have been much worse.

I am so glad that you did not have to go through with the big program discussed with you, General Menocal, Dr. Gomez, and Mr. Texidor.

After matters adjust themselves and your own position is established in the new Government I believe I can be of service to Cuba in establishing a means of national safety against further uprisings.

Please give my regards to Dr. Gomez and your associates, and our assurance that we are most happy to see you return under the conditions you are able to do this.

Very sincerely yours,

FEDERAL LABORATORIES, INC.,
——— ———, *President.*

JWY:GO

EXHIBIT No. 617

ALEJANDRO TEXIDOR, HAVANA, CUBA

HAVANA, *October 17, 1933.*

ROBERT S. JUDGE, Esq.,
Attorney at Law, 230 Park Avenue, New York City, U.S.A.

MY DEAR MR. JUDGE: I imagine that you have been more or less surprised at the various events that have taken place here since I saw you last in New York. I have been reading some of the American papers and have no doubt that you will have been able to form an idea of the present state of affairs in this country from the accounts published in your local press.

My chief object in addressing these lines to you is to enlist your kind cooperation in the following matter, which I am sure will certainly be very beneficial to your combined interests with our mutual friend John. It is of the greatest importance that I get together with John at the earliest possible moment, and as I am not able to leave for the States immediately I venture to ask if it would be possible for you to convince John of the expediency of his taking a flying trip to Havana. You may assure him that this will be of enormous benefit to him and that his presence here is indispensable, in the first place because there are certain things which I want him to see personally, and secondly because it is of the utmost importance that he meet certain individuals at this end, with whom I could not bring about this personal contact if I went to the States. In other words, the important proposition which I want to place before John also involves an investigation which it will be necessary for him to make personally on the spot.

I know how busy John is, but as this is strictly a sound business proposition involving a positive and concrete transaction, I feel that it really warrants his giving serious consideration to my request. It is important that you assure him that the parties involved in this proposition are not by any means those whom he has met in the past but that they are absolutely serious gentlemen, both morally and financially, in whose name I am making this urgent request for his visit to Havana.

As this matter is of such extreme importance and no time should be lost if we do not want to lose this great opportunity, I would strongly recommend your wiring me as to whether John's trip to this side can take effect, and if so, exactly when, as I have to inform the parties interested of the result of my efforts to this end. I am also anxious that John should know that if he would like to have his wife accompany him I should be very glad to accommodate them in my own home and would do everything in my power to render their stay here as agreeable as possible.

Once more repeating my assurance that your kind and valuable cooperation in this matter will redound to the considerable benefit of all concerned, and thanking you in advance, I remain, with best personal greetings,

Most sincerely yours,

ALEJANDRO TEXIDOR.

EXHIBIT NO. 618

[Memo for Texidor file]

In conversation with Mr. Texidor on Tuesday, Nov. 7th, I promised him a commission of 10% on all business done with the Menacol-Menyatta group, and commission of 15% to 20%, depending on the product on all business done with the Grau group.

J.W.Y./11–10–33.

EXHIBIT NO. 619

cc—E. H. Pitcher.

NOVEMBER 21ST, 1933.

STATE DEPARTMENT,
Washington, D.C.

GENTLEMEN: Referring to our letter of November 17th relative to an order for thirty Thompson submachine guns for the Government of Cuba, wish to advise that this order has been increased to sixty guns.

In your letter to Auto-Ordnance Corporation will you please have it read sixty Thompson submachine guns instead of thirty.

We will appreciate your prompt attention.

Yours very truly,

FEDERAL LABORATORIES, INC.,
——— ———, *President.*

JWY: GO

EXHIBIT NO. 620

[Postal telegraph]

G 6—PAR JACKSONVILLE, FLA.
1142 A, Nov. 12, 1933.

FEDERAL LABORATORIES, INC.—PFL.

Young will arrive in today's plane.

MARTENEZ. 841A FL.

Exhibit No. 621

December 19, 1933.
Via air mail..

Mr. Luis R. Rios,
Concordia 19, Habana, Cuba.

Dear Mr. Rios: It certainly was a tremendous surprise to have you confirm in your letter of the 17th that this man Figuerola has actually been appointed by Batista to purchase for the Cuban Army.

You are dead right in your information that one very high-class and reputable American manufacturer has refused to deal with Mr. Figuerola, and I believe that there are others who either have refused or will refuse if he approaches them. I would not be a bit surprised, as a matter of fact, if certain officials in the Cuban Army were advised quite definitely by several American manufacturers that they want no dealings of any kind with Mr. Figuerola.

So far as his intended purchase of machine guns is concerned, it is my understanding that he intended to purchase the Bergam gun and that this is a very cheap, small calibre which can in no way be compared to the Thompson. I believe the sales price of the gun was in the neighborhood of $50, so you can imagine more or less what it must be.

As you know, we are very desirous of doing business with the Cuban Government and appreciate very much their patronage. However, we feel a great deal as you do in the matter and would surely like to see any further dealings conducted in the same manner as their previous order for Thompsons which you placed.

I cannot help feeling that with the relations that you described existing between yourself and Captain Betancourt, as well as Lieutenant Camblor, plus the ill effect on Colonel Batista, which the disfavor of his emissary must cause when he learns of it as he undoubtedly will through several channels, that you will be able to redirect the course of this business into proper channels once more. I should be very glad if you would keep me posted as closely as possible on the turn of affairs in Cuba. By the way, what is new regarding the inquiry for gas masks, etc., in which they were interested a few weeks ago?

Very truly yours,

C. W. Rich.

CWR/fb.
cc—Pittsburgh.

Exhibit No. 622

December 14th, 1933.

Mr. Walter B. Ryan, Jr.,
President Auto Ordnance Corporation.
31 Nassau Street, New York, N.Y.

My Dear Mr. Ryan: Mr. Rich writes me that we had an upset on our contemplated order from Cuba, due to the fact that a Mr. Figuerola, who has a questionable reputation as a "gun runner", has underbid us to the Cuban Government on the Thompson submachine guns.

I am quite worried about this, knowing the type of man Mr. Figuerola is.

When I was in Cuba last month I personally talked to Colonel Batista, and while I was there he decided to buy the additional thirty guns. I hadn't the slightest idea that Mr. Figuerola would be permitted to come in and compete with me under the circumstances.

If you will advise Mr. Figuerola that you are withdrawing your quotation to him, I think we can perhaps still clear this situation up. I certainly feel that we are entitled to protection on this order, after personally going to Cuba on it. It is the most pleasant thing to go into Cuba during times such as these.

Incidentally, if Mr. Figuerola could deliver the Thompson guns at a lower price than I quoted, he would put me in disrepute with the Cuban Government, and they would think if I was high on the guns, we would naturally be high on other items.

Sincerely yours,

Federal Laboratories, Inc.,
John W. Young, *President.*

JWY: GO.

EXHIBIT NO. 623

DECEMBER 22, 1933.

Colonel FULGENCIO BATISTA, *Chief of Army,*
Havana, Cuba.

MY DEAR COL. BATISTA: When the writer had the pleasure of meeting you personally in Havana you were exceedingly busy making preparation for what I learned later to be an attempted uprising, and which you very ably stopped.

I am sorry I did not have more time to explain to you the value of our products, but I understood at that time you were interested in purchasing 30 additional Thompson submachine guns. We have not as yet been favored with this order.

We have been approached by Mr. Figuerlo, but it is not convenient for us to conduct this business through Mr. Figuerola. So that you will not be disappointed I am writing to tell you that we are desirous of serving you, and I sincerely trust we might have the pleasure of handling this in the same manner as the previous order.

Please feel free to call upon us at any time we might be of service to you.

Very sincerely yours,

FEDERAL LABORATORIES, INC.,
——— ———, *President.*

JWY: GO

EXHIBIT NO. 624

FEDERAL LABORATORIES, INC.,
GENERAL OFFICES AND FACTORY, 185 FORTY-FIRST ST.,
Pittsburgh, Pa., U.S.A.

Sold to Martinez Seanz, Dec. 30, 1933; Agent, Jonas. Invoice no. 19219½; our order no. 21019.

500 gas masks	20.00 each.	$10,000
200 1½″ cal. riot guns	55.00 each	11,000
50 incendiary bombs	24.00 each	1,200
51 demolition bombs	67.00 each	3,417
500 rifle grenades	2.20 each	1,100
18 12½ lb. fragmentation bombs	25.00 each	450
12 30 lb. fragmentation bombs	33.00 each	396
		27,563

Payments to be made only to Federal Laboratories, Inc., Pittsburgh, Pa.

All claims for shortage or damage must be made within five days of receipt of goods. Goods returned without our permission will not be accepted.

EXHIBIT NO. 625

SHIPPING ORDER

FEDERAL LABORATORIES, INC.

No. 21178
Date *Jan. 18, 1934.*

Ship to MARTINEZ
Agent JONAS

30 300 lb. demolition bomb.
500 Type GE gas masks.
100 Portable chemical cylinders.
6,000 Grenades 103M.
2,500 1½-inch Cal. Projectiles CN–DM.
* Order when check comes in for $15,000.00.

EXHIBIT NO. 626

JANUARY 18, 1934.

Mr. MARTINEZ SAENS,
% Hotel Walton, 72nd Street, New York, N.Y.

MY DEAR MARTINEZ: Confirming our understanding reached in New York on Tuesday night, we promptly proceeded with the additional order for 30–300 pound demolition bombs, 500 gas masks, and 100 portable chemical cylinders, and we are also pushing production on the balance of the grenades and gas projectiles.

This confirms my statement to you that we have advanced to your representatives here $423.00 to date. We have receipts for this amount, which are open for inspection at any time.

I am proceeding with the proposed organization material for the national police organization and hope to have this ready for preliminary study when you wish it.

There is too much to be done between this and January 31st, my scheduled date for sailing to England. I am, therefore, postponing my trip abroad until such time as your program is more nearly complete and success is assured.

We shall look forward to receipt of your draft for $15,000.00, plus expense money in Friday's mail to cover us for the new commitments in your order.

I would greatly appreciate if, in the future, you would keep in closer touch with us by confidential correspondence addressed to me under personal cover.

Most cordially yours,

FEDERAL LABORATORIES, INC.,
——— ———, *President.*

JWY:GO

EXHIBIT NO. 627

JANUARY 20, 1934.

HIS EXCELLENCY CARLOS MENDIETA,
President of Cuba, Presidential Palace, Habana, Cuba.

MY DEAR SIR: It was with great pleasure that I read of your acceptance of the Presidency of the Republic of Cuba, and I believe it is in order to congratulate the people of Cuba in having a man of your sympathies and experience to direct them at such a critical time.

I wish to pledge to your support the staff and resources of the Federal Laboratories to assist you in bringing and maintaining order in Cuba.

With sincere personal regards and best wishes for a successful administration, I am,

Very truly yours,

FEDERAL LABORATORIES, INC.
——— ———, *President.*

JWY:GO

EXHIBIT NO. 628

JANUARY 22, 1934.

Dr. MARTINEZ SAENZ,
% Rosales Lavendan, Metropolitan Bldg., Habana, Cuba.

MY DEAR MARTINEZ SAENZ: I am enclosing herewith a copy of a letter which I sent to Mr. Alejandro Texidor. I am writing to him because it was he who first drew me into this picture, and who has, in a large measure, advised me in my activities.

Please confer with him. I believe he can assist you in the program which we last discussed just before you left New York. I am anxious to have the whole matter cleared up as promptly as possible, and this certainly is the logical time to do it.

This letter is not in the nature of a complaint. It is an appeal to the sense of fairness of yourself and your associates to see our end of the work completed to a point where it does not work a hardship upon us.

Most cordially yours,

FEDERAL LABORATORIES, INC.
——— ———, *President.*

JWY:GO

EXHIBIT No. 629

ALEJANDRO TEXIDOR

HABANA, *January 26, 1934.*

No. 4
Mr. JOHN W. YOUNG,
185 Forty-first Street, Pittsburgh, Pa., U.S.A.

MY DEAR MR. YOUNG: I have just cabled you as follows:

"Young. Have made arrangements with President and Martinez for meeting tomorrow morning. Everything progressing very satisfactorily. Stop. Be prepared come immediately I advise you. Stop. Will communicate with you after conference."

I have not wired you before this, because it has been so very hard to arrange this meeting with the President and Martinez, due to their being so extremely busy, and it was only this morning that I was able to accomplish it. As promised in my above message, as soon as the meeting is over I shall cable you the result, which I expect will be very gratifying to you.

I also want to acknowledge receipt of your copies of those addressed by you to Martinez Saenz and President Mendietta. These letters are excellently well couched so as to give me full support in my endeavors to wind things up quickly and very satisfactorily for you, who deserve every attention and compensation. I am sure that both President Mendietta and Martinez Saenz and also General Menocal and Dr. Gomez share this view. Just continue to depend on me, with the certain conviction that you will be taken care of one hundred percent.

Meantime, with renewed assurance of my highest esteem and friendship, and with very best greetings and remembrances to your good self and Mrs. Young, believe me,

Most sincerely yours,

ALEJANDRO TEXIDOR.

AT.MM.

EXHIBIT No. 630

ALEJANDRO TEXIDOR

HAVANA, *January 29, 1934.*

No. 5
Mr. JOHN W. YOUNG,
185 Forty-first Street,
Pittsburgh, Pa., U.S.A.

MY DEAR JOHN: Late on Saturday afternoon I concluded my conference with the President, Dr. Miguel Mariano Gomez, and Dr. Martinez Saenz, and thereafter at once cabled you as follows:

"After conference with President and Doctors Martinez and Gomez. Result most satisfactory, but believe extremely important you come immediately in order accelerate things. Stop. In making your plans you should figure that you will need remain here not less than week. Cable me when can expect you. Stop. Strongly recommend speedy action as among other reasons I have to go States myself very shortly."

As stated in this message, the result of my conference was very gratifying, but I believe nevertheless that it is very advisable for you to come to Habana to work with me in order to clear up this affair. As you know, my position with the leaders and yourself is a peculiar one, and therefore your presence here is very important, not only for the winding up of your presently pending matter but also in order to obtain the compensation to which you are so justly entitled.

I took the precaution of pointing out to you in my cable that you would need to so arrange your affairs as to permit of your spending at least a week here, because I foresee that, on account of the local conditions, we may not be able to obtain immediate attention, and while I know that they will give you all the time you need, on the other hand we shall have to be reasonable and, in consideration of the many important matters to which they have to attend, give them a little leeway in regard to time.

Your answering cable came to hand this morning announcing that you expect to arrive here on February 5th, which is entirely satisfactory. It is very important that you bring along with you all possible data as to what you have done, and also all your plans for equipment for the Government, as I want to take these to Batista and so pick up some business at the same time. It is also extremely important that you bring some pictures of the *gunboats* which, during your last visit here, you told me the Government of Washington was ready to sell. The Cuban Navy is entirely out of suitable equipment, and I believe, therefore, that if we have an acceptable proposition to put before them, it will be very easy to secure an order for at least half a dozen. Please be sure to bring along everything that you have in this line.

I am sending this letter to you by air mail in order to give you more time to prepare and assemble all this matter. If you can also bring one of the *police riot guns* with, say, half a dozen shells for demonstration purposes, or anything of this nature that you have that can be used locally, this will be very advantageous, and you may rest assured that you will experience no difficulty in getting this material through the customhouse.

I hope that you will be able to bring Mrs. Young with you on this trip, as things are very quiet here now, and I think she would enjoy her stay. In the meantime, please give her my best regards, and with a warm handshake to yourself, believe me,

Yours very sincerely,

ALEJANDRO TEXIDOR.

AT.MM.

("Exhibit No. 631" appears in text on p. 1659)

EXHIBIT NO. 632

HABANA, *February 12, 1934.*

Mr. ALEJANDRO TEXIDOR,
O'Reilly No. 68, Habana, Cuba.

MY DEAR MR. TEXIDOR: Your cable on Saturday said you were writing, but exclusive representative in Cuba, to handle the sale of our products and equipment.

You agree to exert your best efforts and give all the necessary time to the development of the sale of these products, and further agree not to handle any competing line during the term of this agreement.

This agreement is subject to cancellation by either party upon previous notice of sixty days in writing by one to the other.

Yours very truly,

FEDERAL LABORATORIES, INC.,
—— ——, *President.*

JWY: MM.

EXHIBIT NO. 633

FEBRUARY 22, 1934.

Mr. ALEJANDRO TEXIDOR,
P.O. Box 2055, Habana, Cuba.

MY DEAR MR. TEXIDOR: Your cable on Saturday said you were writing, but up to the present time we have received no letter from you. I have been wondering just what is going on in Havana, and will certainly appreciate some report here on Monday.

There is still considerable anxiety on the part of the American officials as to the future of Cuba. This anxiety would be greatly lessened by announcement that the program which I have recommended had been officially adopted by the Cuban Government.

I would like to know very much what each of the cabinet members had to say thus far; what Col. Batista's present attitude is, particularly in regard to my appointment and the two trainers. I would also be interested in knowing whether your activities to reinstate or secure your school supplies contract will have any effect upon the action of Col. Mendieta on my proposal.

I think I have satisfactory arrangements about consummated to handle the credit of your school supplies providing you can arrange for certain assignments or guarantees to my people here. This will be more of a formality, and I think an entirely feasible plan, the details of which we can work out when I return.

Very sincerely yours,

Federal Laboratories, Inc.,
——— ———, *President.*

P.S.—We have just completed a new export price list, effective February 15, 1934. This contains a few slight changes in the previous list dated May 15, 1933. Copy of the new list is attached.

JWY:GO

Exhibit No. 634

Habana, *marzo 7 de 1934.*

Hónorable Sénor Presidente de la Republica,
Habana.

Hónorable Señor Presidente: Me permito manifestarle respetuosamente que vine a Cuba a instancia del doctor Martinez Saenz y me informo que el Consejo de Secretarios habia aprobado el plan que hube de semeter a la consideracion de dicha junta de acuerdo con mi reporte de fecha 9 del mes ppdo., y que debia volver a Cuba acompanado de dos auxiliarios para comenzar el trabajo inmediatamente.

Al llegar a esta ciudad hube de informarme de las dificultades que la clase obrera esta proporcionando al Gobierno y en prevision de lo que pudiera suceder, me permiti hacer a mi fabrica un pedido de una cantidad suficiente de gases para que pudieran ser usados en caso de emergencia, cuyo equipo, habiendo side embarcado inmediatamente despues de recibir mi orden, debera llegar a esta ciudad el proximo viernes, dia 9 de marzo.

Con la anuencia de las Autoridades de Nueva York hube de conseguir la amplia cooperacion del Inspector Sr. Alberto B. Moore, activo presidente de la Asociacion de Jefes de Policia de Nueva York, Inspector Jefe de la Policia del Estado do Nueva York, y Jefe del Colegio de Policia de Nueva York, a los efectos consiguientes.

No existe en mi juicio en los Estados Unidos una autoridad policiaca más competente que el Inspector Sr. Moore, pero tanto el Sr. Moore como el que suscribe no puede emprender la realizacion del trabajo, ni seria posible poner en uso el equipo que esta en camino para esta, hasta tanta no recibamos autorizacion por medio de decreto presidencial para poner en practica el programa de nuestra campaña, el cual llevara implicito nestro reconocimiento oficial en esta cuestion de parte del Gobierno de Cuba. Esto es realmente de vital importancia para nosotros, pues sin picho requisito podriamos perjudicar en juestra reputacion oficial que ostentamos en representacion del Gobierno de los Estados Unidos, por inmiscuirnos en asuntos interiores de un pais extranjero.

Tan pronto estemos en posesion del correspondiente decreto presidencial, procederemos a organizar una Patrulla de Emergencia y dentro de dos meses podremos organizar y equiper una Cuadrilla Nacional de 500 policias competentes para mantener el orden; ademas estableceremos un Colegio de Policia similar al que existe en el Estada de Nueva York y organizaremos un competente personal para el mismo. Este proyecto abhorrara al Gobierno de Cuba anualmente una cantidad mucha superior al gasto del equipo y, lo que es mas importante todavia, asegurara una Administracion pacifica en este territorio.

Necesito senalar la necesidad de equipar una officina en esta ciudad para poder realizar nuestro trabajo con comodidad y perfeccion, y que de cabida a los auxiliarios de que tendremos necesidad. La obra que acometeremos demandara de nosotros largas horas de trabajo, de dia y de noche y cualquier interrupcion en el mismo podria resultan costoso, pues no podemos disponer mas tiempo que lo necesario para desarrollar nuestra plan aqui y que nos permite nuestros deberes actualmente abandonados en los Estados Unidos.

En el caso de que seamos favorecidos con su solicitud, estamos en condiciones de establecer en vuestro pais una organizacion de policia eficiente que sere reconocido en todas partes del mundo como tal, cabiendole a vuestro Gobierno el beneplacito de haber contribuido a realizer uno de los actos mas importantes y meritorios para salvaguarder los intereses generales de la comunidad.

El Embajador Sr. Caffery me ha informado que el Inspector Sr. Moore no debera emprender ningun trabajo en esta ciudad hasta tanto no se haya decretado formalmenta por Ud. La autorizacion de sus servicios y los mios aqui, en vista de los cargoes oficiales que representamo en los Estados Unidos, siendo necessario que se solicite a nuestro Gobierno la correspondiente autorizacion para utilizer nuestros servicios.

Ruega a Ud., el senalado favor de que se guarde en la más absoluta reserva la actuacion que habremos de realizar tanto el Sr. Inspector Moore como yo en este asunto.

Podria solicitar a la Institucion Rockefeller en los Estados Unidos que hiciere un estudio de las difficultades obreras y activities comunistas en esta isla, y creemos que al pedirlo Ud. podria hacer un estudio muy util para determinar la causa basica de todas estas serias dificultades obreras y encontrarse una solucion a ellas, lo que podria llevarse a efecto sin gasto alguna para el Gobierno de Cuba.

Tambien es nuestro proposito, pues asi consta en nuestro programa, hacer una confitra-propaganda a los comunistas, la que ha tenido mucho exito en otros paises.

Todo esta trabajo sera comenzado tan pronto como Ud. oborgue la correspondiente autorizacion, sin cuyo requisto, tanto el Inspector Sr. Moore como yo careceriamos de la indispensable autorizacion oficial para dar comienzo a nuestra obra.

Damos a Ud. la seguridad de que nos sera muy grato prestar culaquier ayuda a nuestro alcance y al tanto de sus gratas ordenes, quedamos de Ud. con la mayor consideracion y respete.

Federal Laboratories, Inc.,
——— ———, *President.*

JWY.MM.

[Translation from Ex. 634, p. 2]

You can ask the Rockefeller Institute in the United States which made a study of the labor difficulties and Communist activities in this island, and we believe we can, at your request make a very useful study for determining the basic cause of all these serious labor difficulties and recommend a solution to them, which can all be done without any cost to the Government of Cuba.

("Exhibit No. 635" was marked for identification and is on file with the committee)

Exhibit No. 636

Havana, *March 28, 1934.*

Mr. Alejandro Texidor,
O'Reilly No. 68, Havana, Cuba.

Dear Mr. Texidor: I am enclosing herewith payment to the amount of *$5,600.00* advance commission on the order for the Cuban Government, although no letter of credit has yet been opened.

My experience with the Departmento Gubernamental has been so discouraging, that I do not desire to expose my company to the petty politics involved in such large orders as we shall be handling. I believe it wise, therefore, to have a letter of credit opened together with each order, so that there will be no opportunity for apparently unexplainable delays which would work hardship on us in running up interest rates and charges which rapidly dissipate the small margin of profit that we shall have on this business.

The National City Bank is prepared to cable us through their New York office on the same day that a letter of credit is opened, and I shall have arrangements made to promptly send partial commission cheques on receipt of such cables.

Very sincerely yours,

Federal Laboratories, Inc.,
——— ———, *President.*

JWY.MM.

EXHIBIT NO. 637

HAVANA, *March 31, 1934.*

Mr. JOHN W. YOUNG,
185 Forty-first Street, Pittsburgh, Pa., U.S.A.

MY DEAR JOHN: In the hope that you are spending a pleasant Easter with your family, I send you herewith, by way of a "carinoso" reminder of this sunny, lovable land of a thousand imperfections, the latest photo of yourself, as sketched by the artist of "El Pais." Don't get too conceited (and don't let Mrs. Young frame it)!

I am also enclosing a translation of a short article appearing in the same issue of the above-mentioned daily, which you may find a little more gratifying than the newspaper artist's conception of your personal beauty. It does at least demonstrate the very favourable spirit in which your valuable aid to the preservation of law and order is being accepted here by the people that count.

Looking eagerly forward to your kind and prompt response to my air-mail letter of the 29th, and to your early return here so that we may get things really going, I remain with reiterated greetings and good wishes both to yourself and Mrs. Young.

Very sincerely yours,

ALEJANDRO TEXIDOR.

AT:MM.

[Translation of article in El Pais, Mar. 29, 1934]

CUBA GIVES MODEST REWARD TO THE EXPERT MR. YOUNG, STATES F. GRANERO, AND HIS MISSION WILL BE EXCLUSIVELY TECHNICAL, CONCERNING GASES AND "TRICKS"

Commandant Franco K. Granero, aide-de-camp and chief of the personal military service of the President, while chatting amiably, according to his custom, with members of the press visiting the palace, referred to certain statements that had been published concerning Mr. Young, technical expert of the national police.

Commandant Franco Granero states that Mr. Young is not undertaking any other work than that of technical instruction of the national police in the use of certain modern processes to avoid assaults and disorders in the capital of the Republic, and more particularly in the use of tear gas to prevent and quell riots.

Commandant Franco Granero adds that Cuba is rewarding Mr. Young modestly when compared with the payments which this expert has received for his service in France, England, and in the United States.

He further adds with regard to the assistant of Mr. Young, viz. Mr. Moore, that this gentleman, in addition to assisting Mr. Young, will teach the police the use of "tricks"—that is to say, artifices and cunning ways of easily dominating any disturbers of the public order without the need of having recourse to violence—which special "tricks" are now being employed by the police of the most important cities of the world.

EXHIBIT 638

ALEJANDRO TEXIDOR,
68 O'REILLY ST.,
Havana, April 4, 1934.

No. 3.

Mr. JOHN W. YOUNG,
125 Forty-first Street, Pittsburgh, Pa., U.S.A.

MY DEAR JOHN: I herewith confirm the last cables exchanged between us, viz: Mine of April 2nd (coded):

"Telegraph if you have remitted $8,000.00. If you have not, please rush."

Yours of April 3rd:

"My understanding money payable immediately credit opened. Let's follow outline my letter March twenty-eight. Two thousand doubtless arrived Thursday. Pushing production."

Mine of April 3rd:

> "We positively agreed and it was clearly understood when you left that upon arrival Pittsburgh you would remit me up to $15,000.00, and that immediately upon $50,000.00 credit being opened you would increase amount to $25,000.00. Stop. Have contracted obligations to amount of $15 000.00 and having received remittance of $2,000.00 and $5,600.00 left by you, must urge you cable me balance of $8,000.00 agreed upon. Stop. Am progressing extraordinarily in obtainment total amount credit, but must insist upon your financial support as promised when here, especially as you perfectly understand local circumstances."

Yours of April 4th:

> "Typewritten figures on boats our cost, pencil figures suggested sales price. Stop. Friday's understanding reversed to you before leaving, due experiences Monday, Tuesday. Stop. Rise steel prices made necessary eighteen thousand investment armor plate today; must cover automobiles, also due contemplated price rise. Directors object further cash outlay until letter credit furnished. Amount cash payment not so important."

I must confess that your replies have been rather surprising to me, as I was pretty sure of my having impressed upon you right up to the last moment the entire situation, and was under the certain impression that you fully understood everything, especially in view of your having worked with me so closely for almost a month.

In the first place, it was positively understood and agreed between us that upon your arrival in Pittsburgh you would cable me up to $15,000.00, and that upon my obtaining a letter of credit in your favour for $50,000.00, the amount of $15,000.00 would be increased by you to $25,000.00. I venture to lay stress upon the fact that this was distinctly and definitely understood between us, regardless of any subsequent impression that you may have got, as you mention in your cable of today. Your experience in the department in questions has nothing to do with the department with which I am working, and you know perfectly well that I cannot go back on my promises to this department under pretext of your experiences with the other. Furthermore, I must remind you that the advance of $15,000.00 would come out of the deposit of $30,000.00 which you actually are holding and of which you still have a balance of $24,000.00, after your having already paid out $6,000.00. Therefore, your company, in making me the required remittance of $8,000.00, will actually not suffer any further cash outlay, as you point out in your cable.

It is of the utmost importance, John, that we work absolutely together, and that particularly at this first beginning, in which we are having so much success, there be no misunderstandings of any kind, as these might prove very dangerous for our future business. I know the situation here and all of the complicated factors involved, and as I explained to you when here, if we want to secure this business, we have to "play ball" in accordance with the local circumstances. Therefore, regardless of your cabled statement as to "your directors objecting to further cash outlay", in view of my explanations in the preceding paragraph, and your own knowledge of things here, I hope that upon receipt of this letter you will be good enough to cable me the $8,000.00.

Incidentally, I venture to remind you, further, that while you were here I actually laid out of my own pocket up to $4,700.00, and have laid out an additional amount of $2,500.00 since you left. If my financial position were better, you may rest assured that I would not insist upon your making the remittance agreed upon between us, but under the circumstances I have no choice.

Arrangements are under way to open a letter of credit in favour of your company immediately after the first fortnight of this month, viz, by about the 16th or 17th of April, and, of course, in the event of any shipment arriving during this period, same will be paid for immediately, irrespective of this credit. Therefore, you can see from this that I am working just as fast as I can in our combined interests.

I am to have an interview today with your friend (viz, the one from whom you are holding the deposit), and expect to be able to report to you thereafter in a manner that will be very encouraging to both of us.

I have been working very closely with Col. Batista in connection with the Cuban fleet, and will write you tomorrow morning, after having had the further interview which I am due to have with him tonight, when I shall give you a few points that I shall want you to reconsider regarding the prices on some of the items.

I also have a list of requirements which are going to be placed with you officially by the purchasing department, and also have in my possession the catalogue from the United States Ordinance, in which you were so keenly interested.

In a word, I am devoting every moment of my time now to your business, as I feel so encouraged by the bright outlook for the future that I believe my investments will in the long run bring me gratifying returns.

In closing, I want to repeat to you, John, that it is absolutely indispensable that you work 100% with me. You know that I am faithfully honest, and that I really enjoy working with you, but I am very anxious that there should be no misunderstandings which would threaten the smooth progress and development of our business, especially as the distance is long and you know how the people are down here.

Looking forward with interest to your early further news, I remain,

Very sincerely yours,

Alejandro Texidor.

AT.MM

Exhibit No. 639

Schneider & Co.
Paris, France,
April 6, 1934.

Gentlemen: We acknowledge receipt of your telegram of April 4th, asking us for a quotation on furnishing 1,500 complete rounds of 75 mm explosive shells and shrapnel for field artillery.

Before following the matter to conclusion it is necessary, first, to know the country of destination to which these munitions are to be consigned.

Besides, in the case where it should concern a country in which we are not represented and admitting that we would be able to obtain the prescribed export authorization from our Government, we would need to know the type of material from which these munitions are to be fired; if it is not a "Schneider" cannon, you would have to specify the firing conditions of the material employed (initial velocity, pressure, weight of projectile; number and inclination of the rifling); it would be best to complete the information by sending the tracing of the interior arrangement of the cannon in question.

We wish you to accept, gentlemen, the assurance of our best consideration.

Schneider & Co.

Exhibit No. 640

[Postal telegraph]

April 18, 1934.

Mingtoy,
Havana.

Depositing fifteen thousand for your account National City, New York, instruction transfer Havana. Postal telegraph fees two percent.

Young.

Mingtoy,
Havana, Cuba.

Estimated freight, twenty-five hundred. Estimated shipment next week, gases, machine guns, masks, seventy thousand. Tracing your check. We also need cash.

Young.

FL Deferred cable 4 9 FL Pgh., Pa., *April 18, 1934.*

Mingtoy,
Havana, Cuba.

Practically all masks, guns, ready this week. Is today's deposit available against this shipment. (Stop.) Armour plate delaying cars middle May. (Stop.) Important deposit apply against entire order, not individual items; request commission payments according March twenty-eight schedule. Sending heavy air mail today.

Young.

("Exhibit No. 641" was marked for identification and is on file with the committee)

EXHIBIT No. 642

APRIL 25, 1934.

[Letter No. 16]

Mr. ALEJANDRO TEXIDOR,
P.O. Box 2055, Havana, Cuba.

MY DEAR ALEX: I went to Washington Monday to delve further into subjects of our mutual interest, but had a great portion of my time taken up by the Department of Justice.

They found out I was in town and drafted me into assisting them in the President's anticrime legislation program, and I had to accompany the Attorney General to the Ways and Means Committee meeting and the Senate and work on some legislation. From there I was taken to the Department of Justice office for conference on apprehension of Dillinger and his gang, and the last three-quarters of the day was lost, insofar as our most interesting subjects were concerned.

I also have been subpenaed by the Government to be in Chicago on May 1 to assist in conviction of an international counterfeiting ring. They promised me they will only keep me in Chicago one day, however.

These are little interruptions which are aggravating but which are necessary to the general welfare of Federal Laboratories with our own Government.

I appreciate the many problems you have, and would certainly like to be down there with you to help you out.

Very sincerely yours,

FEDERAL LABORATORIES, INC.,
——— ———, *President.*

JWY:GO

EXHIBIT No. 643

HABANA, *May 29, 1934.*

Mr. JOHN J. YOUNG,
185 Forty-first St., Pittsburgh, Pa., U.S.A.

DEAR MR. YOUNG: I refer to your kind letter dated May 24th.

I am very sorry that I did not have the pleasure of seeing you during your visit to Habana.

I understand that you have put through your project to reorganize the Habana police and preparing them for the use of gases manufactured by you.

Under these circumstances I think it is time to reimburse me the funds that were used by the ABC in purchase of certain merchandise that we did not receive on account of the change of government.

Please let me know by air mail what is your final decision on the matter as I am anxious to reimburse the people that helped me while I was in exile such a part of the funds that they handed to me as I may obtain.

This arrangement was made on the understanding that part of the merchandise that was ordered by me could be used by your company, and that no prejudice was to be suffered by the Republic of Cuba, of which I have fully informed the president and the cabinet.

Yours very truly,

J. MARTÍNEZ SÁENZ.

JMS/BN.

EXHIBIT No. 644

[Letter No. 35]

JUNE 2, 1934.

Mr. ALEJANDRO TEXIDOR,
P.O. Box 2055, Havana, Cuba.

MY DEAR ALEJANDRO: The delays on the letter of credit are breaking the morale of my organization. I have worked them so hard to get production out on the Cuban orders and then to have the material laying here unable to be shipped on account of the letter of credit, and unable to collect for that which we have already shipped, has made them lose heart in a lot of the Cuban work. We cannot permit this. We must go over the top on Cuba.

I have been reading in the papers of the disturbances that are coming up, and I know this must make Colonel Batista very impatient to get this equipment down to Havana.

We are pushing production of the armored cars just as fast as it is safe to push it. Please let him know how hard you are working on this.

I wrote you yesterday regarding Martinez Saenz, and undoubtedly he is the one who is holding up this payment. I cabled you today as per attached confirmation, and sincerely hope you can pry that letter of credit loose. I am not unmindful of my obligation to Martinez Saenz. At the same time I am not unmindful of his obligation to me and he has not cracked through. His recommendation to the Government to have me train the police was not a payment of a debt. It was a new favor which he was extending to the present Government, and I consider our service will be a contribution before we are through with them.

I hope before the day is over I will have your cable stating the letter of credit has cleared. With sincere personal regards, I am,

Yours very truly,

Federal Laboratories, Inc.,
——— ———, *President.*

JWY: GO

Exhibit No. 645

June 21, 1934.

Mr. Alejandro Texidor,
P.O. Box 2055, Havana, Cuba.

My Dear Alejandro: I am arranging to send Mr. J. J. Baxter to Havana to continue the training of the police. He hopes to arrive there probably Tuesday. He might be delayed somewhat on account of taking his car.

Mr. Baxter has been conducting police schools for us. He has just recently finished a school for the Ohio State Police. He is a very capable all-around man.

Mr. Baxter will look after the details of all of the equipment which we are sending down and see that it is properly assembled and put in use. He will be on hand to receive the trucks when they arrive, and take care of any of the necessary details, so that you will be relieved of any unnecessary bother.

Mr. Baxter has been in the Philippines and understands something of the Latin-American country. I am sure he will get along admirably in Cuba.

Will you, before leaving Havana, arrange so that he can take his car, and drive over the island with Pablo Parez, selling equipment to the sugar mills and industrial concerns. If the right support is given him he should sell $50,000 to $75,000 worth of equipment in a short period of time. If you could arrange for a permit for him to do this work, taking 10% over-writing commission for yourself and a 5% or not over 7½% commission for your associates, I will be willing to underwrite Baxter and let him see what could be done. I think there is considerable business to be done with the banks alone.

It is understood that Mr. Baxter will be at your service without compensation when you need him on Government business. That I am willing to pay for myself in order to help you capitalize on all of the opportunity which you now have.

You will find Mr. Baxter 100% trustworthy, and a real diplomat when it comes to handling such matters as you require.

Very sincerely yours,

Federal Laboratories, Inc.,
——— ———, *President.*

P.S. Received your cable about the extra magazines and drums for the two Thompson guns shipped on the 16th. Immediately wired Auto Ordnance to ship 4 type L drums and 4 type XX magazines. They will probably go forward tomorrow. When talking with you over the 'phone, nothing was said about the drums, and shipment went forward with only two extra type XX magazines.

Exhibit No. 646

Export Offices,
277 Broadway, New York, N.Y., June 29, 1934.

Letter No. NY–52 via air mail.

Mr. Alejandro Texidor,
Apartado 2055, Havana, Cuba.

My Dear Alex: I am advised that Mario G. Menocal, Jr., wrote from Miami to a certain dealer in firearms equipment stating that his brother had the Ford agency in Havana and that they wished to buy the following equipment for a

Ford car in quantities sufficient to equip sixty cars which the Cuban Government were going to purchase in the near future. He said in his letter that they did not want Federal Laboratories to quote on this order: 2 gas riot guns, 1 doz. shells for each. 2 gas billies, 1 doz. shells for each, 2 doz. hand grenades, 1 bullet-proof vest, 2 Thompson submachine guns, 2 ammunition pans, 2 gas masks.

It appears that they are making an effort to get around us and get in on this business. I am tipping you off immediately, as I am sure that you are capable of handling this situation in the manner that will be most valuable to us.

They are certainly a sweet bunch of double-crossers, but it is going to be very hard for them or anybody else to put over a program like this in the United States without Federal Laboratories immediately knowing about it.

I wish you would advise me by return air mail what you think about this inquiry.

I am inclined to quote on it in such a manner that Federal will not appear, but at prices sufficiently high to put them out of the running. In this way we beat them at their own game.

I would make the exception to this quotation on the Thompson guns. On these I refuse to allow anybody in Cuba to quote, as I have gone on record as saying that they cannot be purchased through anybody but Federal Laboratories.

Let me hear from you on this by return mail.

Yours sincerely,

JOHN W. YOUNG, *President.*

fb.

EXHIBIT NO. 647

[In pencil: Letter to president Federal Laboratories from (S. Jonas) "Frank"]

HAVANA, 6/3/34.

MY DEAR JOHN: Rec'd your letter of the 31st. Thanks.

Several things have happened since your departure, but nothing very concrete.

Saw Eisner yesterday, and he said he had again been advised that the 40.000 L/C on the second order would be opened—Re the second L/C on the first order, he could give me no information.

Regarding your remarks on Texidor, I sincerely hope you are right. I have yet, however, to find a man who champions him. If it is true that he spent all this money in helping the revolution, $50,000 of it belonged to Remington, also a large sum belonged to Royal Typewriter and others. If a man uses another fellow's money without his consent, there is only one term you can apply to him.

Migoya is being transferred to the stocks to take charge of a detachment. Several changes are being made and trouble is in the air.

If I were you, I would not consider manufacturing the 75^s and 37 m/m unless the credit is first opened for the complete lot, because you might be left holding the bag.

Please mail me to Hotel Washington by return mail Canal Zone—prices on the above shells with full description of these shells, as I can sell some in Guatemala. Also send me particulars and prices on the Cowdrey gun.

Note your remarks re Colombia, which are quite interesting. According to a letter received from Rich, however, Driggs is going along with his contract.

Write me by return mail to Canal Zone. Remaining there a week and will then decide where I will go from there. Keep me informed re the Cuban situation as to payments, so that if I am returning here I can follow them.

Regards, in which Grace joins,

Sincerely,

FRANK.

EXHIBIT NO. 648

OCTOBER 19th, 1933.

Messrs. FEDERAL LABORATORIES, INC.,
Pittsburgh, Pa.

(Attention of Mr. J. W. Young.)

DEAR SIRS: We would refer to your communication of October 3rd, copy of which you sent us by air mail.

We have read your letter, as well as some supplementary letters on the same subject written by Mr. Jonas, with great interest, and today we have been in contact with Mr. Gandara, recently returned from Cordoba, and he tells us that before the end of the week we will have a firm order for one pair of X-4 smoke-spraying apparatus, which will come from the Cordoba factory. Regarding the price at which you will invoice this material, we will go into that in a separate paragraph.

We agree with you that it is wrong to sell the Government anything but Monel metal, and the Government is convinced that they cannot use smoke sprayers unless they are of this metal or better.

Regarding the question of price, please refer again to our letter of September 21st addressed to Mr. Jonas. On rereading our letter we find that it is very ambiguous and subject to misinterpretation. The prices which we quoted are per unit, therefore the pair would be twice the amount as stated in our letter; in other words, one unit, as quoted by the Lake Erie, is $650, but if a pair is ordered or two units it means that the price would be $1,200 the pair, whereas you quote $1,300, their price thus being $100 under yours.

Mr. Gandara tells us that when we get the order from the Cordoba factory for the first pair it would be advisable for you to bill at a price of $570 each; that is to say, the price at which Lake Erie is quoting two pairs or four units. Once this is established we no doubt can get the buying office of the Cordoba factory to adopt the Federal as the standard, in which case prices will not be asked from competitors on future purchases, but the business will come direct to us.

On receipt of this letter, and taking as a basis the price of one pair as $1,140, we would ask you to please send us a quotation for 5 pairs, 10 pairs, and 20 pairs, in order that we also can put on record our quotations for their future reference.

In this airplane business there are a great many people that have to be taken care of besides our contact man, Mr. Gandara, therefore in your reply please tell us what our maximum commission on this business will be in order that we may be guided accordingly.

Yours very truly,

RL/GHS. ——— ———.

EXHIBIT NO. 649

AUGUST 1, 1932.

Messrs. FEDERAL LABORATORIES, INC.,
Pittsburgh, Penna.

DEAR SIRS: We would acknowledge receipt of your telegram of the 30th ult., received today, in which you advise us that you can only allow 10% commission and 3% guarantee, otherwise you cannot accept the order, and asking us to reply by telegram, to which we have replied as per copy attached.

You can understand that our compromise opposite the Montevideo police must be fulfilled, inasmuch as we have taken the order in our name for your account; therefore, even though you paid us no commission, we would be obliged to make delivery, and it is for this reason that we said under the circumstances we must accept.

If you will refer to your previous correspondence in connection with discounts, commission, and so forth, you will find that you have advised us that we were authorized by you to quote to the police departments up to 25% discount, and that we were to be protected with our 25% commission; therefore we do not understand your telegram.

It is somewhat disheartening, we must say, to receive a telegram of this nature, not so much for the dollars and cents implied but on account of the fact that it seems to the writer that we have never been able to get things down to a firm footing as far as prices and commissions are concerned, and it certainly would please us to know just once and for all what this situation is, in order to be guided thereby in the future, as otherwise we are liable to make an arrangement of some kind at some future date which will cost us money instead of making money for us. As you are so many thousands of miles away from us, it is a most difficult proposition to come to a perfect understanding by correspondence, especially so on account of the fact that there are many times when things that could be settled by word of mouth cannot be written. There are many occasions when we are forced by circumstances to pay commission to third parties, which naturally comes out of our commission, and if we are calculating on 25% and same is cut to 10%, we having compromised ourselves for 10%, let us say, it means that we send you the order and make no profit, which not only is unfair but also unprofitable.

The work that we have done for you in the propagation of the material you manufacture is something that you cannot gauge. Perhaps it will be a surprise for you to know that when the newspapers speak about tear gas they call it Federal gas, and when they talk about the weapons they talk about Federal guns. In this connection, under separate cover, we shall be very glad to send you clippings from the local papers in connection with the rounding up of a band of thieves, which is interesting. The fact of their referring to Federal weapons and gas is nothing more or less than the result of the work which we have done. Let us consider another aspect which perhaps you have not considered. While it is true that you may consider 25% commission as a large one for the work which we do, I wonder whether you have ever considered the fact that we have spent thousands of dollars on trips through the interior propagating the use of tear gas, and in practically every Province of the Republic, without considering the fact that a special trip was made to Chile and several special trips to Uruguay, solely and exclusively with the object of interviewing people whom it might have been possible to interest in Federal gas.

It is unfortunate that the writer is not in a position to, or perhaps it would be better to say, finds it impossible to, make a trip to the States at this time, as we are sure that with a personal interview we could do more in an hour, as far as getting down to some basis is concerned, than correspondence will ever do.

Regarding Bolivia and Paraguay, as far as Bolivia is concerned, we are daily awaiting advices from our agent in La Paz, giving us some definite reply in connection with the business we have pending with that Government. Immediately on receipt of his reply, which we expect will be in the affirmative, we will, as promised in one of our letters to him, take the first train for La Paz and see if we can finally close this business, which should amount to something. If anything should develop within the very near future, we would naturally immediately telegraph you, telling you just what the situation is.

As far as Paraguay is concerned, we are in daily touch with the military attaché of this city for that country, and we expect some time between today and tomorrow to have some news from him; in fact, the writer has an appointment with the attaché for this afternoon, and it is possible we may supplement this letter in the event of his having tangible news which may be of interest to you.

Not having heard from you further to our recent cable requesting that you get in touch with Mr. Insfram at Washington, we assume that you are either in direct communication with him and awaiting further advices or that he is waiting instructions from his Government, and that you have nothing to telegraph us about until such time as these instructions are received. It is necessary that you keep in touch with us in this connection, in order that we can follow this proposition just as closely as possible.

As far as the gas grenades for artillery use are concerned, and about which you asked particulars, we shall no doubt have this information today; and if we see that there is active interest in this material on the part of the Paraguayan Government, we will telegraph you the details.

Your further communications with regard to the above are awaited with interest.

Yours very truly,

LEON & BONASEGNA.

EXHIBIT No. 650

LEON & BONASEGNA,
Buenos Aires, September 22nd, 1931.

MR. FRANK JONAS,
312 Broadway, New York, N.Y.

DEAR FRANK: I am writing you in a personal way rather than from the firm as I do not want this letter to go on record, it being a private letter from me to you. I am referring to your letter of September 12th, air mail, received this morning, in which you transcribe a letter which you had from Mr. Young.

With all due respect to Mr. Young, and keeping in mind the fact that he is a live wire and watches world's events, I would hate to have him think that we at this end are fast asleep; in this I refer to the letter which you transcribe and the recent events in the Chilean Republic.

For your information, which you can pass on to Young if you think it desirable, possibly on the same day he wrote to you we wrote to the Minister of the Interior of the Chilean Republic on exactly this same matter. Furthermore, we have been insistently writing to the different governments—by this I mean to say cabinets, they having changed periodically week by week—calling their attention to the necessity of adding gas as standard equipment in the army and navy.

Apart from this, we have been quietly working through the Chilean Embassy in this city, and it might be well for you to know that only yesterday I had a long interview with the Ambassador, and that on Thursday's Trans-Andine, copy of a letter I am writing him today and with whatever remarks he wishes to add, is going forward to the proper authorities at Santiago, and requesting an immediate reply.

Further, for your private information—and this I would not like to have go any further—I have been notified privately by Major Velasquez, head of the police guard, who are the military officials in charge of the police department in Buenos Aires, that they had had a private request from the Minister of the Interior of Santiago to the Minister of the Interior of this country to loan them any part of the Federal gas equipment which they have here, which equipment the Chilean Government would return to them in due course.

In other words, I want you to know that there are many things that we do not write about, because we think it unnecessary. What the Federal people want are results. Up to the present time, while business has not been large, we at least have given more time to Federal equipment this year than to any other individual line we handle. Furthermore, that while they may think they are paying us a very large commission, that this is not the case, as it is costing us a great deal of time and money in trying to develop this business. I have taken at least five trips to the interior cities, all for our account, of which I have never made mention. While it is true that we have not had material results from these trips, I can tell you that we are going to get them. The Federal people know that we have not had material results from these trips; I can tell you that we are going to get them. The Federal people know that this takes time, and so do we. It might further interest you to know that on Friday last I pulled off the best demonstration that it is possible to make at La Plata in the presence of the Governor ad interim, the chief of police of the Province of Buenos Aires, and the Inspector General of the Province of Buenos Aires, and about three hundred spectators, including approximately one hundred secret-service men. The actual firing was done by Captain O'Connor, of the Buenos Aires military police guard, who happens to be the head of the vice squadron of this city. The idea that I am trying to put over is that we are not sparing time or money, because this all costs money, in the endeavor to make the Federal Laboratories line a big line, which sometime we hope will produce results.

Now, let us look at the other side of the picture. We are today in receipt of an air-mail letter from the Federal Laboratories, signed by W. T. Neill, which states that as per your request they are sending us some catalogues, and so forth. These catalogues will be very welcome once they are received, because we are at present not only in touch with the airplane factory at Gordoba, head of the military aviation of this country, but also with Captain Marcos A. Zar, head of the aviation division of the Navy, and Lieutenant A. Gomez, chemical engineer, also of the Navy. Once I am in receipt of these catalogues I will continue my work and hope to be able to do something that will bring results.

In Neill's letter they go on to say that they have considered the problem of quantity discounts very thoroughly; that they want to meet European competition, and so forth, and give us a schedule of discounts which supercedes all others previously quoted. They give us as a maximum discount 20%, which is for orders for $10,000 gross.

We do not wish to make any comments on the way they run their business, because after all they know what their costs are, and know how far they can go in discounts. Looking at it from our side of the fence, however, if this is the best they can do, then we had better discontinue our efforts opposite the minister of war, with whom we are in treaty at this time, as it is not possible to quote them 20% discount on quantity lots after having actually sold them with a discount of 25%. We do not wish to be dictatorial in any way, the issue at present being that we must either desist from offering further goods to the War Department or that the Federal people authorize us to continue quoting 25% discount. In their letter they state that we, of course, are at liberty to make further allowances out of our commissions, but this we absolutely refuse to do, because we think it is unfair.

On receipt of this letter I think it is important enough that you take a train and go to Pittsburgh, discuss the matter thoroughly with Mr. Young, and immediately thereafter telegraph us the result of your interview, and we will act accordingly.

There is just one more matter before closing this letter. I am negotiating with Bolivia, and at present have a pro-forma order on my desk. I assume it is O.K. for me to work Bolivia, for, as I understand it, you have no connection there. I have compromised myself, as far as commissions go, opposite my agent in La Paz, who happens to be a personal and intimate friend, and who further happens to be a senator in that republic. It is necessary that in your cable you advise me whether or not I am authorized to go ahead. For your private information, it is possible that I may have to go to Bolivia, in which event I would take advantage of the trip and go to Valparaiso via Antofogasta. If it is necessary that I take this trip, it would be interesting for me to know how much the Federal Laboratories would contribute towards the expense of same.

Summarizing: I think that with the information this letter imparts, Mr. Young can form a pretty good idea of what we have done and what we are capable of doing, and it is now up to him to let us know just how far he will meet us. If Mr. Young is liberal in his ideas and gets to the point where he will cooperate with us morally and financially, we can then do a great many more things than we have in the past, feeling that we have both his financial and moral support, and that he realizes that we are working not only for our own interests but for his.

Please be sure, just as soon as possible, after receipt of this letter, that you telegraph me in order that I may know the exact position. Please do not skimp words, because our future actuations will depend on what you tell us. I do not propose writing Mr. Young with respect to the discounts; we will merely acknowledge receipt of his letter and tell him that any negotiations with respect to details should be handled by you. It is much easier to do this by word of mouth than writing.

With best and kindest regards, I am,

Very sincerely yours,

Raoul.

Exhibit No. 651

Leon & Bonasegna,
Buenos Aires, August 1, 1932.

Mr. Frank Jonas,
312 Broadway, New York City.

Dear Frank: I am just in receipt of two communications from you of July 18th.

If it were not for the fact that I can see probabilities in connection with the Federal Laboratories account, and that I expect to be able to do some business and make a few honest dollars within the course of this year, I do not mind telling you that I would send the account to hell, and take up the Lake Erie account, which I can have for the asking. I do not pretend to tell you how I can get it, but I do not mind repeating that all I have to do is go and get the account, in which event the Federal could whistle.

We are today in receipt of a cable, of which no doubt you are cognisant; but if you are not, here is what it says:

"Reference Montevedio order can only allow 10% commission and 3% guarantee; otherwise cannot execute; reply. Federal."

and I am attaching hereto copy of my air-mail letter of this same date to them, which is self-explanatory.

As stated in the letter to the Federal, it is all very well for them to cut down our commission, but how the devil do they know just what our arrangements are here with the bunch of grafters we have to deal with. It is hard enough trying to do business and guaranteeing dollars, when dollars are not available, without having a thing of this sort come up at the psychological moment, and after the initial work has been done and the initial order placed. Frankly I do not understand it. I think, Frank, that you should get after these people and settle the proposition once and for all. Furthermore, if we are to continue doing work for the Federal Laboratories, we want some kind of a contract with a fixed date; that is to say, we want to be sure that we are their agents for a determined length of time, at a determined rate of commission, and with set discounts when business is to be done with police departments and governments, otherwise both you and we are in the air as far as this account is concerned, which is unsatisfactory and unbusinesslike.

The Federal people must think that we are making a pot of money out of this, when this is not the case, for if it is true that we make a good commission, it takes months of time to accomplish a job, and a great deal of expense, apart from the fact that we are gradually developing a business for them in South America which is costing them nothing to get and which will remain for them the day they choose to no longer have us represent them in this part of the world. This is obviously unfair, and while there is still a chance, we wish to correct it if possible.

I now make special reference to the smoke-screen attachment and your remarks in connection with them. I remember perfectly that you spoke to me about the smoke-screen attachment and that you advised that both Curtiss and United were authorized to sell smoke-screen attachments together with their planes. On the other hand, you told us there was no objection to our selling smoke-screen attachments if we could get the order. The proof that this is as we state, that if the company did not want us to sell smoke-screen attachments, there would have been no necessity on their part of writing to us sheets and sheets with respect to same and quoting us prices, neither would it have been necessary for them to telegraph us prices in connection with it. The point of view as taken, in my opinion, is completely wrong. Do not think for one moment that the Argentine Government buys planes only from the United States. Why cannot we sell smoke-screen attachments to the Government to be placed on the planes, not only bought abroad, but manufactured right here in Cordoba. I think the point of view as taken is absolutely absurd. Moreover, the smoke-screen attachment in which Captain Zar is interested are for planes already acquired and have nothing to do with the planes which they will purchase from Wright or United in the future, at which time no doubt they will specify the equipment which has to go with the plane.

I am afraid, Frank, that you are all wrong and that it will be necessary for you to go into this matter carefully with Mr. Young, calling his attention to these facts and showing him that this procedure will only tend to lose the business. If there is any misunderstanding, the misunderstanding is on your part, or better said, there is an error in conception somewhere. Please let us know their final decision on this matter, without losing sight of the fact that the airplane people's business is to sell airplanes, and ours is to sell Federal equipment.

Regarding the other letter on the Thompson guns, it will be interesting for me to know whether the inquiry to which you refer was for the Argentine or for Brazil.

While on the subject of Thompson guns it would be interesting for me to know just what connection the old firm of Portalis & Co. had with Thompson, and some details with respect to the Thompson guns which the Paraguayan Government bought from Portalis & Co. some years ago. It is very important that I have this information.

As far as the bill for the magazines is concerned, please be advised that we have already sent the Auto Ordnance Corp. a cheque covering their bill, therefore this matter is closed.

Just as soon after receipt of this letter as is possible, and once you have seen Mr. Young, I would appreciate it greatly if you will take the matter up with me by air mail in order that I may know just exactly what the situation is.

Yours very truly,

(Signed) RAOUL.

RL: GHS.

EXHIBIT No. 652

KENDRICK VAN PELT,
*Representacoes Praco Ramos de Azevedo, 16 Predio
Gloria, Sao Paulo, Brazil,*
Sao Paulo, April 15, 1933.

Telephone 4–1042
Cable address: VANPELT.

Mr. FRANK JONAS,
277 Broadway, New York City.

DEAR FRANK: On my recent trip to Rio, I heard that the order for tear-gas bombs had been placed with some competitor thru the son of the chief of police here and that the price had been increased approximately $1,200 as part of the greasing operation. I have not yet been able to discover who the Emprezas Promotora de Vendas is, but I expect to go to Rio tomorrow and since you give their address I shall try to find out something about them.

Sincerely,

(Signed) KENDRICK VAN PELT.

KVP/ME

EXHIBIT No. 653

NEW YORK, N.Y., *August 27, 1932.*

Mr. JOHN W. YOUNG,
Federal Laboratories, Inc., Pittsburgh, Pa.

MY DEAR MR. YOUNG: I am in receipt of your letter of August 26th, and as soon as I receive the Brazilian order will telegraph you. I had dinner with Mayrink last night and he told me the order had already been made for me, but expected satisfactory credit arrangements with United Aircraft either this morning or on Monday. The credit has already been established but was not satisfactory to the banks up here; however, according to Mayrink, it is now being arranged in accordance with the banks request.

I note your remarks regarding 10¢ commission each on the hand grenades. You formerly quoted me a price of $1.80 and I am figuring on a 10% commission on this item.

For your information, I will have to do a little greasing at this end so it will be necessary to pay me 10% on the hand grenades. For your information, I know that they have been quoted elsewhere $1.80

With best regards, I am,

Yours very truly,

F. S. JONAS.

FSJ: RL

EXHIBIT No. 654

[CC–Factory]

MARCH 3, 1934.

Mr. JOHN W. YOUNG,
*c/o Mr. Neufer, American Commercial Attaché,
Habana, Cuba.*

DEAR MR. YOUNG: After our telephone conversation I went down to see Mr. Li and gave him the quotations and later confirmed in accordance with copy of letter sent to the factory.

Mr. Li particularly inquired as to loading charges, and while I felt quite sure that there were none in South Amboy, in the light of your experience in

Gibbstown, where they slapped on an unexpected $400, I thought I would play safe and get a confirmation from you.

I had quite a little talk with Mr. Li and several rather interesting points came up. As I sat with him, he turned to his secretary and said, "Take this cable to Minister Cong", and proceeded to quote on our bombs. I would not suggest doing anything in an overt manner, but inasmuch as this Minister Cong seems to be Mr. Li's direct contact, it would be interesting to know or learn through our State Department, if we could do so judiciously, just who this Minister Cong is. I, of course, do not know whether this motion on his part was some Chinese subtlety. There didn't seem to be any occasion for him to start his cable in my presence, and I am wondering if this gesture was deliberately intended as a blind. However, perhaps it was not, and it would be interesting to learn who this bird in China is. This particularly in view of the following remarks I am going to make.

While he mentioned no names, he did limber up a little more frankly with regard to what he is so pleased to term our "misrepresentation" in China. From what he said, there is not the slightest doubt that someone, in misguided enthusiasm and eagerness to make a sale, very undiplomatically offered a bribe to some Chinese official, apparently without having received any indication from said official that any personal remuneration would be acceptable. Mr. Li says that they are very highly incensed over there, due to this act on the part of a Federal representative.

He went on to elaborate how it had come under his observation that several American companies (not mentioning names) had gotten in very bad through somewhat undiplomatic acts in China and how in one or two cases their company had taken over the representation and succeeded in reestablishing those companies in the good graces of Chinese officials.

He then remarked that he would be interested in acting for us in the Chinese market. As you will recall, that is a complete reversal of his remarks to you and me the other day that he was not interested in representation. However, as I believe I have mentioned to you, I have for some time had the hunch that they are interested in handling our line.

One of the companies that he mentioned as having gotten in bad in China through "misrepresentation", and whom they had been able to reestablish, was the Diebold Co. I remember that on one occasion you told me something about a hook-up in domestic business between Diebold and Lake Erie where Lake Erie had double-crossed them.

After conversation covering all the foregoing matters, Mr. Li inquired if it would be possible to arrange to have this initial order shipped and billed by some other company, for instance, Du Pont, making it appear as though these were, say, Du Pont's bombs. He said that his purpose in this would be to free this shipment of any taint that would attach to it going forward as Federal shipment. After they have tried our bombs and found them entirely satisfactory, then he would plan to inform them that these bombs actually were Federal.

On that basis, however, he deferred taking this up with you until the moment of placing the order. He did not mean that this would be a condition of the order but simply to consider the matter at that time. I am informing you of this unofficially just to keep you posted. Mr. Li's thought was to say nothing about it until placing the order.

Everything about these dealings with Mr. Li and his various inquiries is to be sure somewhat strange and unusual, but I am inclined to feel that there is some good solid meat to all this, and I am distinctly hopeful of something real developing.

Mr. Li told me that he fully expects a decision the early part of the week. I will cable you if the developments are interesting to us.

Wishing you the best of luck with your undertakings in Cuba, I am

Yours very truly,

C. W. RICH.

CWR/fb

EXHIBIT No. 655

[Air mail]

Colonel B. deSanta Anna,
c/o E. Dagnino,
Gobernacion,
Caracas, Venezuela,
Cable: Colbdesa.

CARACAS, VENEZUELA, *June 14, 1932.*

FEDERAL LABORATORIES, INC.,
185 Forty-first Street, Pittsburgh, Pa., U.S.A.

DEAR MR. YOUNG: Acknowledging your letter of May 23, I wish to express to you my appreciation for the military films which you are sending to me to be shown to the President, General J. V. Gomez.

I did not receive them yet, but as soon as they arrive and the demonstration is made I will return them to you.

At June 9, 1932, I secured a good order for you from the government here, but, owing to the interference of Mr. Jonas in my territory, I ask this order to be cut until I straighten with you the intention of this man, which with his funny tactics is making prejudice to your corporation in the territory where I am working for your behalf. He may get many letters from the President, but the orders will come through me.

I represent several good U.S. factories in Venezuela and South America, and I have their best cooperation for the benefit to the work I am doing for them. Using his influence, Mr. Jonas got restriction of my territory, and the arrangement made between you and me, and with his consent, was eliminated. Now, when I am right in the work for your benefit, he is procuring to get the business directly, ignoring the fact that I have introduced your line to General Gomez since 1930, as representative of United Aircraft Export Co., and since November 1931 I am working as your representative here.

At last, do you mind to tell me, am I representing you here on 20%-commission basis or not? Please make it clear to me and to Jonas also and confirm it by written argreement; otherwise I do not intend to lose time for business in which is mixed such inconvenient persons as Jonas, when I have good opportunity to work with somebody else, which is offering the style of your goods for exactly 20 and 40% less than your prices and giving the goods c.i.f. at Venezuela.

Not only your orders, but many others are given to me, and I may dispose of them the way I like. So, if you intend to get business here, please tell to your export department manager to keep inside of my territory. Owing to the interference of this man in my business for your benefit, your corporation lost exactly $38,800.00 since February 1932 in three countries, exclusive Venezuela, in which I was working for your behalf.

The sample order will consist of:

Ten Federal gas riot guns at	$65.00	$650.00
Fifty long-range projectiles (tear gas)	8.00	400.00
Fifty short-range projectiles (tear gas)	6.00	300.00
Ten cases for carrying the projectiles	6.00	60.00
Ten protective maces	25.00	250.00
Total		1,660.00

The prices are from your catalogue, and the price for short-range projectiles is given not $5.00 but $6.00 each.

I have ready very good order for you, which will be given to you as soon the experiment is made with the materials of the first order. With this I am opening new market for your line here, and from you will depend the future business, to compete with the British, French, and Swiss competitors here.

The Government likes to have the goods shipped c.i.f. La Guayra at that price, and I did not discuss the matter, first to give you chance to get in and because I hope you will consent on that, specially when I remember you told me in November 1931 at Hotel New Yorker that the prices on the Federal gas riot guns and projectiles are old and may be cut considerably, even though in small quantity, without affecting my commission.

From $1,660.00 I deducted $50.00, which is the difference between your and my price on short-range projectiles, so the order for you is $1,610.00.

From that amount I deducted my commission of $322.00, or $322.00, and $50.00 is $372.00, is deducted of $1,660.00, and will give to you $1,288.00

Of that amount, 35%, or $450.00, is sent by me to you as deposit and 65%, or $834.00, will be paid to you against documents of shipment at New York, through National City Bank, N.Y.C.

The time of delivery is not indicated, and I leave it to you, hoping that you will do your best to send the goods soon possible. The shipment must be consigned to Ministerio de Guerra y Marina, Venezuel, via La Guayra.

Remember, it is good order pending for you and from the prompt delivery of the first will depend the confirmation to the second one.

I am including the letter of the Secretary of War to me of June 14, 1932, as confirmation to this sample order and will appreciate if you return it to me.

As you have very serious competitors here and to compete with them and to get the order for you which means a permanent future business here for you, I have to give away all my commission; officially to the Government 50% and inofficially the rest. As I have special arrangement with the people here, I will ask you not to work directly and to make all your offers through me, as your representative, because you may make some mistake which will have bad consequence for your future business here.

Sincerely yours,

COLONEL B. DE SANTA ANNA.

P.S.—At June 9 I send you a radiogram: Order confirmed, airmailing details stop disgusted interference Jonas my territory.

EXHIBIT No. 656

JULY 11, 1934.

FEDERAL LABORATORIES, INC.,
Pittsburgh, Pa.

GENTLEMEN: We are happy to advise that Mr. Jonas succeeded in interesting the Government of Costa Rica in making a trial of our equipment, and we are listing below the equipment ordered.

Mr. Jonas had an exceptionally hard time in this, as Huber had just been through all of these territories, and his visits had naturally not done us any good.

As it will be necessary to take care of a number of people down there, Mr. Jonas made special prices in some of the items, which he asks that you allow, as he is confident that if the demonstration of this equipment goes off well, large orders will result. You know that Major Harris is to demonstrate this equipment for the Government.

The order is as follows:

	Net price to Jonas
1 21 AC Thompson	$146.67
1 type L magazine	14.70
6 standard CN tear-gas bombs	18.00
1 No. 80 gas mask	12.50
1 gas billy and 3 cartridges	13.50
3 Protect-O guns	9.00
1 dozen cartridges for Protect-O gun	2.00
50 Protect-O guns	150.00
1,000 Protect-O gun cartridges	166.67
10 billies and 50 cartridges for same	180.30

Please prepare this material for shipment and advise when ready, when we will give you shipping instructions.

Yours very truly,

f.b.

C. W. RICH.

P.S.—This material is to be invoiced and shipped direct to us.

CWR.

EXHIBIT NO. 657

JULY 7, 1933.

Mr. JOHN W. YOUNG,
Federal Laboratories, Inc., Pittsburgh, Pa.

DEAR MR. YOUNG: I succeeded in getting hold of Mr. Yerex.

I caught him when he was on the point of placing the order with Mr. Huber, of Lake Erie. I was fortunately able to convince him that he should buy Federal materials. Although he first tried to put off the actual signing of the order, pending a trip to New Orleans, etc., I got him out to lunch, he and two lady friends (all expense and no pleasure involved), and succeeded in getting his name on the dotted line, as per the order I sent you yesterday.

As you know, we have been expecting the bomb business to be controlled by Col. Izaguirre and this was switched from his hands into Yerex's, who stated that the government had to have all the discounts. Yerex called up Izaguirre and explained the matter to him.

Lake Erie had quoted $27.40 and in that price had a little over $300 allowance for Yerex. Yerex finally agreed to place the order with us on the same basis, and that brought our price to list less 20% and 2%, or $25.87. Inasmuch as you had already figured on a 20% and 5% basis when we expected to go through Izaguirre and Galiano, this is really a 3% saving, not to mention the additional percentage which you had figured on for Galiano.

It is too bad that the switch took place at the last moment, cutting out Galiano and Izaguirre. Yerex has authorized me to pay Izaguirre the $305.60 difference between the selling price and our list less 20% and 2%. Just as I started to write this letter, I got a long-distance call from Izaguirre, who had, of course, already been informed by Yerex and I confirmed it and told him that I would give him my personal check just as soon as I was informed that the money is available at Baltic Shipping Co.

He told me that this trouble and mixup had all been caused by friend Huber, who had telegraphed the Minister of War in Honduras and had also been after the Honduras consul here, informing them that our price was way too high. All that he accomplished was to lose money for others without getting anything for himself except a black eye in certain quarters as we can readily imagine.

As informed on the order, this shipment is to be consolidated with the Salvador shipment.

Very truly yours,

FRANK S. JONAS.

CWR/fb

P.S.—The invoices to Honduras is to be billed at $27.40 per bomb and the practice bombs at $4.00 each.

There will also be $8.64 discount or commission on the practice bombs. I will therefore pay Izaguirre $314.24.[1]

EXHIBIT NO. 658

MAY 26, 1932.

Mr. D. L. DIEHL,
Union Trust Building, Harrisburg, Pa.

DEAR MR. DIEHL: I am wondering if you have any connection in the State executive office that we could use at this time. We have a case with the Pennsylvania State police. Major Adams is a personal friend of our competitor, and the last time when the bids were equal, he gave the business to our competitors out of Cleveland, Ohio. This time he has written specifications around competitors product, and we know it is going to take something more than usual to crack him loose.

When we talk to the major, he is very nice, but that doesn't get us the business. In case of State unemployment we certainly need to place all business in the State of Pennsylvania that we possibly can. The order amounts to approximately $1,000, but the most important part of it is that our competitor will use it to claim that our own State purchases and uses his equipment. If you have any influence with the supplies department we will certainly appreciate it.

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[1] Written in ink.

You will be interested in knowing that we are showing a reasonable profit so far this year; that this morning we received the award for the annual contract with the Government on this equipment. We are getting exclusive business of most of the leading police departments today. We would hate to lose this Pennsylvania State order. The order is for 6 riot guns and 90 shells for same.

Thanking you in advance, I am,

Yours truly,

FEDERAL LABORATORIES, INC.,
——— ———, *President.*

EXHIBIT NO. 659

[Western Union]

SCRANTON, PENN., *April 17, 1933.*

JOHN W. YOUNG,
Federal Laboratories, Inc.,

Have wired Brandt, Coyne and Mansfield. (Stop.) Whom do you have on the ground in Harrisburg and how can I reach him?

ROY G. BOSTWICK.

[Postal Telegraph]

PITTSBURGH, PA., *April 17, 1933.*

R. G. BOSTWICK,
Care of Knapp, O'Malley, Hill, and Harris,
Electric Building, Scranton, Penna.

Mister Spann promises us his support in the house. (Stop.) He suggests you wire Mansfield stating you are against bill number nine ninety now before senate.

YOUNG,
FEDERAL LABORATORIES, INC.

EXHIBIT NO. 660

[File to 1933]

MAY 19, 1933.

MR. JOHN W. YOUNG,
Federal Laboratories, Inc., Pittsburgh, Pa.

DEAR MR. YOUNG: Commander Strong today called me on the telephone and told me that you should not have written to the State Department requesting that he inspect the bombs for Honduras.

He has, therefore, asked me to have you write the State Department to the effect that you had asked him to make this inspection and that he had refused to do so. He will, however, be pleased to make an inspection for you privately, but does not want it to be known publicly.

Very truly yours,

FRANK S. JONAS.

FSJ/fb.

EXHIBIT NO. 661

OCTOBER 20, 1932.

JAMES H. STRONG,
Lieut. Commdr., U.S.N., Philadelphia, Penna.

MY DEAR COMM. STRONG: If you have not already received a letter from Mr. Frank S. Jonas suggesting that you meet him at #56 Pine Street, New York City, any day this week, preferably Saturday, I wish you would write him and arrange to meet him at my office, room 810, at that address.

Mr. Jonas was in Pittsburgh Monday and Tuesday of this week and received instructions from me as to what he should do. If you are not going to be in

New York, please advise the most suitable time to meet you in Philadelphia and he will come down there at our convenience.

I am very definitely counting on you to line us up for some additional business. I expect to be in New York the latter part of next week myself, and I would like to see you while there.

Very sincerely yours,

FEDERAL LABORATORIES, INC.,
——— ———, *President.*

JWY: GO.

EXHIBIT No. 662

MAY 15, 1933.

Commander JAMES H. STRONG,
5305 North 16th Street, Philadelphia, Penna.

DEAR COMMANDER STRONG: Saturday I had the pleasure of talking to Mr. Carlos Izaguirre, charge of affairs, Legation of Honduras, Washington, D.C., who is interested in purchasing 300 30-pound fragmentation bombs and would live to have an inspector act for him to ascertain that the bombs are built to specifications.

I took the liberty of telling Mr. Izaguirre that you had inspected orders which we manufactured at different times for other foreign governments, and if he would communicate with you and you were unable to serve him you could undoubtedly give him some advice as to where he could secure an inspector.

Mr. Izaguirre expects to be in New York on Wednesday and Thursday of this week, and if you will let Mr. Jonas at our office know how to reach you he can doubtless make the appointment.

Please do not consider me forward in making this suggestion. I am anxious to have this government well taken care of, and if you are not open to serve them you will do me a service by recommending a man who can handle our inspection.

Most sincerely yours,

FEDERAL LABORATORIES, INC.,
——— ——— *President.*

JWY: AEH
c.c. to Mr. Carlos Izaguirre.
c.c. Jonas.

DEAR COMMANDER: This customer will be buying some other equipment when he comes to Pittsburgh the end of the week. I understood from our last conversation that you were interested in securing a job such as this.

J. W. YOUNG.

EXHIBIT No. 663

APRIL 28, 1934.

Mr. W. B. RYAN,
President Auto-Ordnance Corporation,
31 Nassau Street, New York, N.Y.

MY DEAR MR. RYAN: The writer had a very interesting conference on Monday and Tuesday of this week with the Bureau of Investigation in Washington.

We are arranging to conduct another school for all of their men in the various cities.

The new laws going through Congress will greatly increase the work of this Bureau and require them to increase their staff of men and also increase the amount of equipment they will need.

From information I gather in Washington, I feel very confident that the firearms bill will go through Congress and become a law. This is very encouraging, for it will do much to spike possible competition and to kill off the gun that is now being made in New York.

We have during the past month put on an intensive drive throughout our organization to push up the sale of Tommies. I hope the results are as pleasing to you as they are to me. Won't you please clear up the contract-arrangement confirmation?

We are proceeding with the circularization and assume that the invoice for your share of the advertising cost will be approved in accordance with your letter.

Very sincerely yours,

FEDERAL LABORATORIES, INC.,
——— ———, *President.*

JWY: GO

EXHIBIT NO. 664

MARCH 18, 1932.

LEON & BONASEGNA,
Alsina 2062/6/70, Buenos Aires, S.A.

GENTLEMEN: I have just finished reading your letter of February 11th, giving report of the conditions after the Provincial Government's decree regarding tear gas. Your experience is somewhat similar to ours, for during the past three years we have had to do considerable lobbying in our National Capital and also in State capitols to prevent unfavorable legislation against the use of tear gas, legislation usually being sponsored by radical leaders who wish to prohibit the use of tear gas against communistic or labor demonstrations.

We have been successful, however, in all of our lobbying in Argentine to get the present unfavorable legislation turned about so that it allows all police departments to use it, and all banks and financial institutions to use it.

If you get a hold of the right people, I am sure you can sell them on the idea that the thing they want to prohibit is firearms more than they do tear gas. From what Mr. Jonas tells me, I think you are perfectly capable of taking care of such work.

We have the highest regard for your ability, and I sincerely trust you will be able in the next three or four months to secure some business to pay you for your efforts.

As you doubtless know from newspapers, we are confronting the same obstacles in the States that you are, and am glad to report that we have been fairly successful in keeping up our volume of business.

Last week the Ford Motor Company in Detroit was caught by a march of Communists, who attacked the entrance to the plant out in a large twenty-five-acre field, and the Ford police were entirely unprepared to cope with the situation. They had a few tear-gas grenades, about twelve in all, to meet a crowd of three thousand in this large field, with a thirty-five-mile-an-hour wind.

We were asked by telephone to rush two hundred more grenades and a lot of riot guns and ammunition, which we did, and since then they have been able to curb any further attempts. This experience has served as a warning to other companies, and there is a general movement for preparing against such attacks between this and May Day.

Yesterday I was in, what I believe, the largest banking room in the United States, covering three floors of a building that extends over a city block. The bank called us in to ask us to assist in protecting them against a riot attack, should such attack occur, as they feel inability to meet such an emergency with firearms.

We are equipping a hundred and twenty police with billies, supplying them with hand grenades and riot guns so they can effectively handle any attack on their bank, without bloodshed or damage to property.

I am quite sure this present crisis, while it has brought a shortage of funds, has brought an acute demand for our products, which puts us in the preferred class, and we should impress upon the public officials that they should spend money for the purchase of tear-gas equipment, even when they cannot afford to pay salaries.

Very respectfully yours,

FEDERAL LABORATORIES, INC.,
——— ——— *President.*

EXHIBIT NO. 665

ROOM 1702, 21 WEST ST.,
New York, N.Y., October 15, 1932.

MR. KENDRICK VAN PELT,
Caixa Postal 2737, Sao Paulo, Brazil.

MY DEAR VAN: I sent you a cable this week and expected an answer as I thought there might be something I could attend to for you up here.

The unsettled conditions in South America has been a great thing for me as I sold a large order of bombs to Brazil and also a fair cartridge order. I also sold very large bomb orders for Colombia, Peru, Ecuador, Bolivia, and now have made up all my losses and I am back on my feet. It is an ill wind that does not blow someone some good.

I sincerely hope that the revolution did not cause you financial losses and that business will soon again be good for you.

Am opening an office of my own the first of next month and will write you the details.

With regards and the best of wishes to you and the family, I am,

Sincerely,

F. S. JONAS.

P.S. The bank paid your insurance. I today sent Long $50 against his commissions. I owe him $102 but as I have not been paid my entire commissions on the Rack-A-Rock deal I have only sent him this amount as it is proportionate to the amount I received.

He claims he has an order for 10,000,000 cartridges but he did not enclose any letter of credit so it is probably a dream which will not materialize.

FSJ: RL

EXHIBIT NO. 666

MAY 2ND, 1932.

LEON & BONASEGNA,
Calle Alcine 2062, Buenos Aires, Argentine.

MY DEAR LEON: Last Saturday I sent, by Mr. Blake, chief officer of the Southern Cross, one riot gun, 2 long-range cartridges, and 2 short-range cartridges. Please meet him at the steamer and see what you can do to take it off.

The Auto-Ordnance have recently made a very large sale of Thompson submachine guns to the Chinese Government and now only have 3,000 left. While I was in Buenos Aires Crocker was working with the Banco de la Nacion to equip their branches with one or two for each branch. This order would have amounted to a good deal had it gone through. Please see what you can do as Ryan of the Auto-Ordnance recently called me and told me that unless I could do some business he would not continue with the agency.

Rio Grande Sul recently purchased a million cartridges 7 m/m and I was wondering if there was a revolutionary movement in view. At times like that they generally make purchases through Buenos Aires agents, so it might be advisable for you to investigate and see if you can connect with the right parties, as you might be able to interest them in the Thompson gun. This gun is known in Rio Grande and has been used with success at various times.

With regards and the best of wishes, I am,

Sincerely,

FRANK S. JONAS.

EXHIBIT NO. 667

FEDERAL LABORATORIES, INC.,
277 Broadway, August 21, 1933.

[Via air mail]

MR. GORDON PICKERELL,
c/o PICKERELL & CO.,
P.O. Box 632, Para, Brazil.

MY DEAR GORDON: Your letter of August 12th reached me this morning, and while I would like very much to transact the business you propose, owing to the severe regulations at this end, it is too risky a proposition. You see, it is absolutely necessary that we make a sworn declaration specifying the party and the country to which the material is being sent, and I cannot afford to take the chance, especially since I specialize in armament.

I am sending you under separate cover catalogs of the Thompson submachine gun, which I am sure is the gun that you require. I can allow you a 10% commission on the prices quoted in the catalog. The Auto-Ordnance Company, who are the manufacturers of this gun, will not allow me to export a single gun unless they get permission in Washington from the country for which shipment is intended. A great many of these guns have been getting into the hands of gangsters, and the Government is doing all possible to stop this.

I am now handling general export sales as well as arms and ammunition, so if I can be of service here to you at any time, drop me a line.

With regards to you and the family, in which Grace would join me if she were here, I am,

Yours sincerely,

F. S. JONAS.

P.S. There is a man here in New York that might be able to do this business but not with the Thompson gun. He could supply Lewis 30.06 Government machine guns and the Colt Browning 30.06 rifle. He asks $300 for the Lewis gun and $300 for the Colt Browning rifles. New 30.06 ammunition in quantities of 100,000 will cost $40 per thousand. If this type of gun would interest you, I will be able to handle it for you through this man. However, it will be on a cash basis, as this is the only way this business can be handled.

F.S.J.

EXHIBIT NO. 668

[Mr. Gordon Pickerell to Mr. Jonas]

PARA, *Aug. 14, 1933.*

MY DEAR JONAS: Hope this reaches you as there may be some money in it for you and me. The Revolutionary Govt. here is organizing a secret society for their own protection and want machine guns, portable machine guns—like rifles and ammunition. Money they have and can arrange the necessary credits. The necessary contraband here can also be arranged as long as they come invoiced as machine parts. So the rest is up to you, and as I am not sure of your address I am sending this to 21 West St. If you will air mail me as to your possibility of getting the above articles and prices I can do the rest.

Later on they are going to need machine guns and ammunition—officially—and we will get the order, as they have written Germany about this business. I hope you will give me a quick answer one way or another. In short, the first lot will be secret; the second, official.

Best regards,

G. PICKERELL.

EXHIBIT NO. 669

AUGUST 1ST, 1932.

MESSRS. FEDERAL LABORATORIES, INC.,
Pittsburgh, Penna.

DEAR SIRS: We would acknowledge receipt of your telegram of the 30th ult. received today, in which you advise us that you can only allow 10% commission and 3% guarantee, otherwise you cannot accept the order, and asking us to reply by telegram, to which we have replied as per copy attached.

You can understand that our compromise opposite the Montevedeo police must be fulfilled, inasmuch as we have taken the order in our name, for your account, therefore, even though you paid us no commission, we would be obliged to make delivery, and it is for this reason that we said, under the circumstances we must accept.

If you will refer to your previous correspondence in connection with discounts, commission, and so forth, you will find that you have advised us that we were authorized by you to quote to the police departments up to 25% discount, and that we were to be protected with our 25% commission; therefore we do not understand your telegram.

It is somewhat disheartening, we must say, to receive a telegram of this nature, not so much for the dollars and cents implied, but on account of the fact that it seems to the writer that we have never been able to get things down to a firm footing as far as prices and commissions are concerned; and it certainly would please us to know just once and for all what this situation is, in order to be guided thereby in the future, as otherwise we are liable to make an arrangement of some kind at some future date which will cost us some money instead of making money for us. As you are so many thousands of miles away from us it is a most difficult proposition to come to a perfect understanding by correspondence, especially so on account of the fact that there are many times when things that could be settled by word of mouth cannot be written. There are many occasions when we are forced by circumstances to pay commission to third parties, which naturally comes out of our commission, and if we are calculating on 25% and same is cut to 10%, we having compromised ourselves for 10%, let us say, it means that we send you the order and make no profit, which not only is unfair but also unprofitable.

The work that we have done for you in the propagation of the material you manufacture is something that you cannot gauge. Perhaps it will be a surprise for you to know that when the newspapers speak about tear gas they call it Federal gas; and when they talk about the weapons, they talk about Federal guns. In this connection, under separate cover, we shall be very glad to send you clippings from the local papers in connection with the rounding up of a band of thieves, which is interesting. The fact of their referring to Federal weapons and gas is nothing more or less than the result of the work which we have done. Let us consider another aspect which perhaps you have not considered. While it is true that you may consider 25% commission as a large one for the work which we do, I wonder whether you have ever considered the fact that we have spent thousands of dollars on trips through the interior, propagating the use of tear gas, and in practically every province of the Republic, without considering the fact that a special trip was made to Chile and several special trips to Uruguay, solely and exclusively with the object of interviewing people whom it might have been possible to interest in Federal gas.

It is unfortunate that the writer is not in a position to, or, perhaps it would be better to say, finds it impossible to, make a trip to the States at this time, as we are sure that with a personal interview we could do more in an hour, as far as getting down to some basis is concerned, than correspondence will ever do.

Regarding Bolivia and Paraguay, as far as Bolivia is concerned, we are daily awaiting advices from our agent in La Paz, giving us some definite reply in connection with the business we have pending with that Government. Immediately on receipt of his reply, which we expect will be in the affirmative, we will, as promised in one of our letters to him, take the first train for La Paz and see if we can finally close this business, which should amount to something. If anything should develop within the very near future, we would naturally immediately telegraph you, telling you just what the situation is.

As far as Paraguay is concerned, we are in daily touch with the military attaché of this city for that country, and we expect some time between today and tomorrow to have some news from him; in fact, the writer has an appointment with the attaché for this afternoon, and it is possible we may supplement this letter in the event of his having tangible news which may be of interest to you.

Not having heard from you further to our recent cable requesting that you get in touch with Mr. Insfram at Washington, we assume that you are either in direct communication with him and awaiting further advices or that he is waiting instructions from his Government, and that you have nothing to telegraph us about until such time as these instructions are received. It is necessary that you keep in touch with us in this connection, in order that we can follow this proposition just as closely as possible.

As far as the gas grenades for artillery use are concerned, and about which you asked particulars, we shall no doubt have this information today; and if we see that there is active interest in this material on the part of the Paraguayan Government, we will telegraph you the details.

Your further communications with regard to the above are awaited with interest.

Yours very truly,

LEON & BONASEGNA.

EXHIBIT No. 670

[Via Aerea. Leon & Bonasegna, Calle Alsina 2062/6/70]

BUENOS AIRES, *July 26th, 1932.*

Messrs. FEDERAL LABORATORIES, INC.,
Pittsburgh, Pa.

DEAR SIR: We would confirm our telegram of yesterday as per copy attached and acknowledge receipt of your telegram of today in which you ask us to send you full details regarding artillery shells, which you state you can manufacture.

As stated in one of our previous communications, we have been very diligently following the question of the material that you manufacture with the following Governments: Chile, Peru, Bolivia, Paraguay, and Uruguay, and while we cannot expect, nor do we expect, more on account of the deplorable financial conditions of these countries to get immediate results, still the fact remains that there is a live interest, and we are keeping after the heads of these Governments (through intermediaries whose influence counts for something, of course), to the best of our ability.

Through the medium of your local press you are no doubt acquainted with the bellicose conditions which exist between Bolivia and Paraguay on account of limits of territory in dispute. For the last year or more there has been a guerilla warfare going on in the Paraguayan Chaco, which is causing great anxiety to both Governments, neither of whom openly declare war; but guerilla warfare seems to be going on indefinitely. Last week the Bolivians and the Paraguayans were in trouble again, and the general opinion in these countries was that a declaration of war was imminent.

Taking advantage of this state of affairs, the writer has insistently pushed both the Bolivian and Paraguayan Governments, and our cable to you of yesterday was the result of an interview which we had with the military attaché of the Paraguayan Legation, who was very much interested in what we had to offer, and who no doubt by this time has already notified his Government of the details. It was at the suggestion of the military attaché that we cabled you to interview the Paraguayan chargé d'affaires at Washington, Mr. Pablo Max Insfran, who no doubt has already been notified, or will be notified direct from Asuncion, to get in touch with you.

We have quoted the Paraguayan Government list prices less 10% in order to give you some leeway when quoting Mr. Insfran, as we are under the impression that an order is about to result. As the question of payment in this case is a very important one, first, on account of the precarious state of the Paraguayan exchequer, and, secondly, on account of the difficulty of procuring dollars, even though local currency is available, it is preferable that you treat the question of payment right in Washington and insist on same before goods are shipped, otherwise you will run a very grave risk, we on part assuming no responsibility in this respect. We know that Paraguay bought quite a lot of equipment in France and Germany last year and that same was paid for before shipment was effected, therefore there is no reason why, in the event of doing business, that they should not observe the same procedure with you.

Each time we are called on to quote governments on military equipment it seems that we never have sufficient information in order to be able to quote intelligently; therefore might we ask that you give us full information regarding the material that you manufacture or can manufacture. By this we mean full information regarding calibres, types of shells, bombs, whether demolition, fragmentation, or chemical, and, in the latter case, what chemicals can be employed, not only in artillery shells but also in aerial bombs; also if it makes any difference in the charging of the shells whether they be employed for artillery or aerial bombs. In other words, we want to have as much information as we can in order to be able to reply to the questions which are put to us, and which, on account of our ignorance as to what you manufacture, we are unable to reply to intelligently.

In the event that Mr. Insfran has not received instructions from his Government by the time you receive this communication, we would ask that you telegraph us, in order that we in turn can take the matter up with the legation here.

Yours very truly,

LEON & BONASEGNA.

RL/GHS.

EXHIBIT NO. 671

[Air mail]

AUGUST 11, 1932.

LEON & BONASEGNA,
Calle Alsina 2062, Buenos Aires, Argentina.

MY DEAR LEON: Your letter addressed to Federal Laboratories dated July 26th, with reference to the Paraguay and Bolivia situation, was forwarded to me for attention. I immediately took a plane to Washington and visited both the Paraguay and Bolivia Legations. Unfortunately, for us, however, it looks as if the trouble they are having is going to be settled amicably. In any event, I have submitted prices to both countries and given them full details and catalogs regarding our line and they promised to forward them to their respective Governments and will advocate that they equip themselves with our products in case of future trouble.

By the same mail in which your letter arrived I received the following letter from Mr. Roehrig with reference to Alfredo Gottling, desiring to sell Thompson guns:

"Alfredo Gottling wants to be specially remembered to you. He will make up a repeat order for Winchester as soon as things improve a little. In the meantime he would like to study the 'Thompson Sub' gun with you; I suppose you are still dealing with Mr. Ryan? Please send at the earliest possible moment at least 12 complete prospectus of the Thompson gun, with all attachments, spares, etc., complete quotation for everything pertaining to the gun. You may mail the literature either to me, or better still, direct to friend Gottling. (You know his address is Rivadavia 611, BA.) He says you need not have any fear when dealing with him in this business, everything will be aboveboard; even if the U.S. police notify the Arg. police of shipments it would be in order, because he would sell the guns only to people who got the consent of the Government and police authorities. Kindly see that all information is clear, so there is no delay in placing business when it can be had."

I am writing Mr. Gottling that you have the representation and to communicate with you. Mr. Gottling formerly did some business for me and could have sold a great deal had it not been for restrictions. Please see what you can do to work out a satisfactory arrangement with him, if it is convenient to you. You know my cost and I feel I should make at least $10 a gun with the amount of work and trouble I have in contacting here. I certainly wish you could send me an order for Thompson at an early date, because I am losing ground with Ryan.

I have done exceptionally well for Federal and recently closed some big business with Cuba and Brazil, which will keep me going for a while.

With regards and the best of wishes, I am,

Yours sincerely,

F. S. JONAS.

EXHIBIT No. 672

[File: "Exporters Afloat, Inc. Mr. Iverson, 341 Madison Ave., N.Y.C." (Pencil note: "On the rocks.")]

DECEMBER 30, 1932.

Mr. W. PERRIN IVERSON,
341 Madison Avenue, New York City.

DEAR MR. IVERSON: Confirming our conversation of today, I wish to submit in detail particulars regarding my personal and business life.

Nationality, American.

Age, 45.

Married, two children.

Religion, Protestant.

Education: Graduated Morrison's Preparatory School at 16, and then took a commercial course in stenography, languages (Spanish and Portuguese).

1904–1906. Worked with the Crane Company—general office work and cost clerk.

1907. Worked with Winchester Repeating Arms Company—office work. Resigned same year to go to Bolivia on the construction of the Viacha-Oruro Railroad as a Spanish correspondent. Contract completed, returned to New York.

1908–1911. Connected with Madeira-Namore Railway Co. in northern Brazil during its construction as timekeeper, construction foreman, and during part of 1910 and 1911 was appointed purchasing agent. Resigned in June of 1911 and returned to the United States.

1911. Traveled as a salesman, covering New York State, Ohio, Connecticut, and Long Island for the Ruberoid Co. Resigned in 1912.

1912–1916. Traveled for a year with the Savage Arms Co. in this country, and was leaving for South America as their foreign representative, but, owing to illness in my family, resigned and rejoined the Ruberoid Co. as a salesman and remained with them until July 1916, but again resigned to represent my former connection, Winchester Repeating Arms Company, in South America, and have been with this company ever since, except for a period of six months.

Traveled Brazil from Manaos to Porto Alegre until 1919. I then took the representation on a commission basis and also took on as side lines B. F. Goodrich Co. (mechanical goods), the New Haven Clock Co., the Edw. Miller Lamp Co., and the Ruberoid Co. In 1921, during the crisis, I returned to the United States and the Winchester Company paid me a retainer to remain with them. I resided here for a year and in 1922 they gave me entire supervision of the Latin-American territory.

In 1924 I resigned and went into business for myself as a rubber broker, but, owing to market conditions (the Stevenson plan), I lost heavily and again connected in my old position with the Winchester Co. with their permission to take on noncompetitive lines, so I secured the agency of Smith & Wesson revolvers, Harrington & Richardson noncompetitive shotguns, and Federal Laboratories, Inc., and have remained with the Winchester Repeating Arms Company ever since.

It is true my experience has been quite varied, but this diversity has all tended toward a more complete education in the manner of doing business in the foreign field. I have referred to Latin America principally, although I have traveled in the interests of my company in Africa and the West Indies and feel that I know conditions generally even better than average.

I must confess that my real interest lies in the expansion of American trade abroad, whether it be the direction of that trade from the United States or the exploitation of it abroad personally. The fact remains that my experience has been so wide that I feel it would be worth considerable to those who are similarly interested. I might add that my sales for the past seventeen years have averaged $750,000 annually.

Yours very truly,

FRANK S. JONAS.

FSJ : RL

EXHIBIT No. 673

NEW YORK, *April 22, 1932.*

MR. GEORGE S. FORMAN,
Palace Hotel, Rio de Janeiro, Brazil.

MY DEAR GEORGE: Thanks for your letter of March 29th, which I was very pleased to receive.

I am back with Winchester on a commission basis, and at the same time I am allowed to work the various rainbows we have here in New York on Government business. Maybe some day with luck I will find the pot of gold at the end of one of these rainbows, and hope that you will be with me. Most of them so far have been bubbles, but like an old prospector I always feel some day I will strike it lucky.

I am glad to hear that the foreigners now don't think all of us millionaires and will probably be a little more sympathetic in the future. Jealousy always creates hatred, and this depression might make them a little more considerate in the future.

I am working with Huber on the different line he handles, and it was through him that I took Major Figueroa from the Dominican Republic up to the Colt factory, which resulted in the major purchasing two 50-caliber machine guns. Huber told me that Jonas Wolfe had sent you to him and that any business that Jonas Wolfe originated or developed was protected by your arrangement. Huber also states that when you called at his office you assured him of 5% on any business that he developed, and Huber is now claiming his commission from Jonas Wolfe. Huber had been working on the Dominican Republic, as you know, for many months previous to the consummation of the order, and I can verify the fact that it was undoubtedly his work that developed this business, because Huber had been working through Captain Valverde and Colonel Flallos for considerable other stuff, which really did materialize. Huber certainly deserves his commission on the deal, and I hope you will write to Colt telling them of your conversation with him.

Hoping to see you soon, and with regards and best wishes, I am,

Yours sincerely,

F. S. JONAS.

FSJ : RL

EXHIBIT NO. 674

FEDERAL LABORATORIES, INC.,
Pittsburgh, Pa., U.S.A., November 27, 1933.

Mr. W. C. RICH,
% Frank S. Jonas,
277 Broadway, New York, N.Y.

DEAR MR. RICH: Please proceed to appoint Du Pont's agent in Peru as our agent on a 15% basis and quote him on all of those bombs. Tell him we will give him a 90-day trial period, unless we are forced to deal direct with the Government, which we prefer not to do.

I am also writing you tomorrow on a similar set-up in Ecuador.

Enclosed find correspondence with Mexico. What happened to the last letter I sent down? Please let me have something promptly, so I can reply to Romero, and return this correspondence with your letter.

Yours very truly,

FEDERAL LABORATORIES, INC.,
(Signed) JOHN W. YOUNG, *President.*

JWY: AEH

EXHIBIT NO. 675

JANUARY 9, 1934.

Mr. FRANK S. JONAS,
Buenos Aires, Argentina.

MY DEAR FRANK: Your letter of December 26th, together with Leon's letter of the same date is acknowledged. I like very much what you say about Leon, and certainly his work speaks for itself. I look forward with pleasure to meeting him personally. The program he proposes, however, is one not so easily answered.

Nick Bates returned Saturday from his trip. He recommended to us previously the assignment of Ernesto de Rossi, Lima, Peru; Sr. Don. Francisco Sefzig, Guayaquil, Ecuador.

We followed his recommendations and are getting some very active work from these two companies. We hope to close a $120,000.00 order out of Peru in the next three or four weeks. Incidentally, it is some concern to us, as Tobin claims to represent Curtiss-Wright and is below us in price. De Rossi certainly seems to have the inside, as he has given us all the information necessary to know where we stand.

I am planning a conference with Nick Bates in Wilmington later in the week. I met him at the boat but did not have time to talk business there. If Leon were to make this trip, Peru and Ecuador would be two of his principal places, and I do not see how we could pay him a commission when we already have a commitments to these agents.

This morning I spent practically an hour on the long distance working on a $65,000.00 order for Bolivia. It looks as though we are going to close the order today or tomorrow. It is a matter of credit now, since our friend Metcalf has again succeeded in nicking us for $1,500.00, which he claims is necessary to get cash instead of credit. We have been fighting for three days on the question of credit, as they want 6 months' time, and I do not believe it advisable for our company to extend credit to them now.

In your letter you state that we have not allowed you anything for advertising in the export field. This is news to me, as Mr. Rau has the following charges made up for export advertising: American Exporter, $500.00 (per year); new military catalogue, $1,600.00; and there is quite a bit of incidental items, such as postage and circulars, letters to foreign governments on armored cars, vests, etc., which he has not listed. Incidentally, this amounts to more than we have spent for domestic advertising this year.

I am contemplating sailing for England and Europe on January 31st. This means that the next two months will carry a heavy export expense for this business, a good portion of which will be to your credit.

It may be wise to have somebody visit northwest South American countries to further instruct the new agents, and I hope you will at least plan to visit there on your return.

For the company to agree to pay $2,500.00 for Leon's trip at this time does not appear to me to be a proper expenditure, much as I should like to meet him, for it is difficult to fit him in on the commission due to the existing agents. Perhaps you can suggest some further plan.

Most sincerely yours,

FEDERAL LABORATORIES, INC.,
——— ———, *President.*

JWY: GO
cc—Rich.

P.S.—I am giving you the necessary authority herewith to force collection of Machado's account.

J. W. Y.

EXHIBIT No. 676

E. I. DU PONT DE NEMOURS & COMPANY, INC.,
Wilmington, Delaware, February 23, 1934.

Mr. JOHN W. YOUNG,
Federal Laboratories, Inc., 185 41st Street,
Pittsburgh, Pa.

DEAR JOHN: For your information there is being quoted immediately following excerpts from a letter received from Mr. Stuart Hosie, our agent in Bogota:

"On Thursday I took your letters to the Ministry of War. I did not meet Colonel Escallon, but had an opportunity to talk with Dr. Triana (Jefe de la Oficina de Control previo), who told me that the ministry would possibly be interested in "Bombas aereas con y sin espoletas" as well as in munition for cannons, and it would be convenient to send samples. But at the same time he told me that the ministry has had very bad experience with the bombs bought in the States from Drix & Chorton (?), which did not explode! As I am on friendly terms with Dr. Triana, I told him quite frankly that there must be something wrong with the opinions given by the Colombian experts, against the products of well known factories such as Remington Arms, Mauser, and now another American manufacturer and it appeared to me that the experts are favouring for one reason or the other certain manufacturers and discrediting the products of others. Triana does not believe in any crooked business, but he admits that certain officers may be in favour of certain nationality and consequently in favour of buying from the respective country.

"As to bombs for aviation, these have been bought lately from Bofors, because they have given apparently the best results. The ministry follows the advice of Coronel Boy, but as I am on friendly terms with him too, I hope to be able to interest him a little more in the samples of bombs eventually sent by your company."

Mr. Gomez, of our foreign trade development division wrote under date of 11th February 1934 from Bogata, stating he had interviewed Mr. Stuart Hosie and the latter was very much interested in receiving catalogs and if possible samples of your bombs with and without the firing mechanism.

It is my suggestion that if you are not tied up in Colombia that you give your good consideration to Mr. Stuart Hosie as a possible agent. He is extremely well connected in government circles and his reputation in Bogota is of the highest.

When I was in Bogota I told Mr. Hosie I would recommend him to you, as I did not know whether or not you had an agent in Colombia. I told him also that if the field was open you would be glad to send him your catalogs, prices, etc. I shall be interested to know what your decision has been in regard to Hosie, so that I may be in antecedents in the event he writes me.

Yours faithfully,

N. E. BATES, Jr.

EXHIBIT No. 677

FEBRUARY 24, 1934.

Mr. N. E. BATES,
Military Sales Division,
E. I. du Pont De Nemours & Company,
Wilmington, Delaware.

MY DEAR MR. BATES: Replying to your letter of February 23, relative to Stuart Hosie, I am now recommending to our export office that they appoint Mr. Hosie as our exclusive agent in Colombia.

This gives us rather a solid block of du Pont-ala-Federal agents in Peru, Ecuador, and Colombia. All we have to do now is to get the business.

I am looking forward to seeing you next week. In the meantime please accept my thanks for your suggestions and your interest in our behalf. I trust it will react to some favorable business for your good company.

Very sincerely yours,

FEDERAL LABORATORIES, INC.,
——— ———,
President.

JWY: GO

EXHIBIT No. 678

FEDERAL LABORATORIES, INC.,
Pittsburgh, Pa., U.S.A., July 1, 1931.

Mr. F. S. JONAS,
312 Broadway, New York, N.Y.

DEAR MR. JONAS: Confirming agreement reached in our office today pertaining to business received through the Curtiss-Wright Export Company, and through the United Aircraft Exports Company, this is to be advised you that we hereby assign these customers to you for sales supervision, with the understanding that in territories outside of that which is now covered in your contract of this same date, and on business on which they are operating on a twenty-percent basis you will receive a 5% additional overriding commission as your remuneration, except on smoke-screen equipment, on which you will receive a commission of 7½%; commission being payable on our present standard products at our present list prices.

It is understood and agreed that in territory covered by contract now held by Mr. Simmons the United Aircraft has the privilege of selling, and we shall endeavor to secure that commission also for the Curtiss-Wright.

Very sincerely yours,

FEDERAL LABORATORIES, INC.,
(Signed) JOHN W. YOUNG.

JWY: AEH

EXHIBIT No. 679

[Cable address: Jonasnel, New York]

NEW YORK, N.Y., *January 5, 1933.*

Commandante LUIS AUBRY,
c/o Electric Boat Co.,
40 Wall Street, New York, N.Y.

DEAR SIR: Referring to my visit at your offices this morning I take pleasure in giving you an outline of the type of goods we manufacture, which I am sure will be of interest to your Government.

We are in a position to supply you with the very latest design of airplane bombs, both demolition and fragmentation types, such as are now in use by the United States Government. Our fragmentation bombs are of the very latest ring type, and we recommend the 25-pound size. Only the highest grade of steel forgings obtainable are used in making up these bombs, and all firing mechanisms are of the latest type design used in the U.S. Army.

We manufacture these bombs in 25-lb., 50-lb., 100-lb., and 120-lb. sizes. We also manufacture 500-lb. and 1,100-lb. sizes. The most popular types used, however, are the 25-lb., 50-lb., and 120-lb.

We have recently developed an incendiary bomb, which should be of great value to your country. The bomb shell weighs only sixteen pounds and carries a charge of thirty-four pounds of fagots, giving a total weight of fifty pounds, and which are thrown from fifty to one hundred feet in a radius from the bomb when it explodes. As these fagots are soaked in a gasoline and fuel-oil formula, they continue to burn for at least ten minutes, setting fire to anything that is combustible with which they come in contact. We supply you with the formula for loading these bombs and the material can be furnished from your own natural resources in your country at a very low cost.

The prices of these bombs in one thousand lots, loaded with fagots, but not with the fuel, is $16.00 each. Your army will find this one of the most effective bombs they could possibly use and also the least expensive.

We would like to call your attention to the great advantage in use of gases, either the tear gas or the sickening gas. The tear gas will drive men out of a fortress or a barricade. It is persistent and remains effective in closed quarters for days. The effects last for ten or fifteen minutes after entering clear air. It forces the enemy to expose himself or to wear a gas mask.

The sickening gas will incapacitate a person who comes in contact with it for a period of six or eight hours. It causes severe vomiting, headaches, and weakness; but does not leave any permanent after effects. It is a marvelous gas to use before effecting a capture. Airplane bombs and hand grenades loaded with these chemicals can be shipped without the difficulty experienced with high-explosive bombs. The price on the chemical bombs is shown on the attached list.

Another intensely interesting and valuable equipment, which can be shipped without difficulty, is the airplane smoke and gas discharging equipment. Two or three planes equipped with these attachments can throw down a smoke curtain, behind which your army can readily advance, particularly if the smoke curtain is mixed with gas and layed down to the windward of the army. This cloud is effective for a distance of two miles, approximately 3½ kilometers.

The equipment which we would recommend would consist of two attachments for each plane, one under each wing. This would be similar to the equipment used by the United States Army and Navy. The price of this apparatus is $1,700.00 per pair for each plane.

We would be very glad to quote you on specific chemicals, either smoke, toxic, or tear gas. This apparatus is also very valuable in spraying insecticides on plantations to kill locusts and other insects.

The portable chemical tank and the rifled trench mortar should be studied, and I believe would be of inestimable value in the natural defense of your country.

Yours very truly,

FRANK S. JONAS.

FSJ : RL

EXHIBIT No. 680

LEON & BONASEGNA,
March 11, 1392.

MR. FRANK JONAS,
312 Broadway, New York City.

DEAR FRANK: It is a long time since I have written you, but the fact of the matter is that there has been nothing to write about.

Since the presidential decree, which made it unlawful to import tear gas into the Argentine, the Federal Laboratories account has been an uphill game with us, because we could not afford to let the thing die out, and as a consequence kept right after all the prospects that we have and have had, knowing full well that there would be no immediate results forthcoming, nor would it be possible to make sales until such time as the decree above referred to was either amended or abolished.

Now that we have a constitutional government the chances are more than fair that we shall be able to do something with the new administration which will allow us to again make sales, and in this respect we have several prospects about which I will be writing you just as soon as I have something tangible to write about.

During the last week or ten days I have been following up this proposition again more closely than in the past, and it is possible that we may see some results within the very near future.

Due to the shut-door attitude, as regards the importation of gas or gas guns, it is impossible even at this time to even import samples, and inasmuch as I have been obliged to return the riot gun to the telephone company, which they so kindly loaned me and which I have used for about six months, the only demonstrating outfit that I have is one pencil and one billy, plus two or three hand grenades, and this is all. You will agree with me that this is not very much to work with.

Might I suggest that you find some way of handing some friend or acquaintance or steward or purser of some steamer two or three pocket-pencil guns with instructions to deliver them to me. This is an easy matter, as they could carry them in their pocket and no one would know the difference. The riot gun I realize is more difficult, but still it is always possible, and it occurs to me that this could be done by separating the stock from the barrel by taking out the screw, and it could be delivered to me in two pieces. You will understand that I am perfectly willing to pay for this material at cost, for without same it is practically impossible to work. As a matter of fact, I am indebted to the chief of police of Rosario and Tucuman for one of these pencils, as I promised to give each one of them one months ago, and I have not been able to make good.

As the prospect for doing business is here, and as you know I now have competition both from the States and Europe, it would please me greatly to enter into this competition with both feet, but I must have material to work with.

I am sending you his letter by air mail as I am in a hurry to get the pencils and the riot guns. You have many acquaintances in the steamship business, and I am sure you will find someone who would be willing to carry same and place it in my hands.

I hope this will find you well, and with best and kindest regards,

Yours very truly,

RL/GHS (Signed) RAOUL LEON.

EXHIBIT NO. 681

MARCH 22, 1932.

LEON & BONASEGNA,
Calle Alcina 2062, Buenos Aires, Argentina.

MY DEAR LEON: Thanks for your letter of March 11th. I was quite surprised to learn that tear gas was embargoed in the Argentine. This was the first news that I have had to this effect. I sincerely hope that you will be able to have this ruling abolished and that shortly we will be able to do some business.

I have written the factory to send me the samples you requested and at the first opportunity I will deliver them to some purser on the Munson Line, requesting him to deliver it to you. Last week I received a fair order from Brazil and sold a very nice order to the Santo Domingo Government. The latter order was for large demolition bombs and demolition hand grenades. I do not know what they expect to do with them.

I am not connected with Winchester Co. any more and I am now free lancing for Remington and other lines at export. So far I cannot complain as I have done a fair amount of business.

Hoping to hear from you shortly and with best regards, I am,

Sincerely yours,

F. S. JONAS.

FSJ: RL.

EXHIBIT NO. 682

MAY 2, 1932.

LEON & BONASEGNA,
Calle Alcina 2062, Buenos Aires, Argentina.

MY DEAR LEON: Last Saturday I sent by Mr. Blake, chief officer of the *Southern Cross,* one riot gun, 2 long-range cartridges, and 2 short-range cartridges. Please meet him at the steamer and see what you can do to take it off.

The Auto-Ordnance have recently made a very large sale of Thompson submachine guns to the Chinese Government and now only have 3,000 left. While I was in Buenos Aires Crocker was working with the Banco de la Nacion to equip their branches with one or two for each branch. This order would have amounted to a good deal had it gone through. Please see what you can do as Ryan, of the Auto-Ordnance, recently called me and told me that unless I could do some business he would not continue with the agency.

Rio Grande Sul recently purchased a million cartridges, 7 m/m, and I was wondering if there was a revolutionary movement in view. At times like that they generally make purchases through Buenos Aires agents, so it might be advisable for you to investigate and see if you can connect with the right parties, as you might be able to interest them in the Thompson gun. This gun is known in Rio Grande and has been used with success at various times.

With kindest regards and the best wishes, I am

Sincerely,

FRANK S. JONAS.

FSJ: RL.

EXHIBIT NO. 683

LEON & BONASEGNA,
Buenos Aires, May 20, 1932.

Mr. FRANK S. JONAS,
c/o Export Consolidated Companies,
21 West Street, New York City.

DEAR FRANK: Further to your letter of May 2nd, I have today been to the "Southern Cross", have seen Mr. Blake, and have taken possession of the riot gun and two each long and short range cartridges.

If you will refer to the Federal Laboratories bill of April 18th and to my recent letter on the subject, you will find that they are invoicing us for a riot gun and 3 Protecto guns complete. I assume you have also taken possession of the three Protecto guns and that you are sending them to me by some other source. I would be very glad to know just how these are being sent, as I am in a great hurry for them, and would ask you to give this matter your attention.

Mr. Blake has today told me that you are back again with the Winchester people, and that your brother also has gone back to them. Having no official news in this respect from you, I am sending this letter to the new address you gave me, and hope it will reach you safely.

Please reply by air mail re the Protecto guns.

Yours very truly,

(Signed) RAOUL LEON.

RL/GHS.

EXHIBIT NO. 684

SEPTEMBER 15TH, 1932.

Mr. H. E. METCALF,
Manager, W. R. Grace & Company,
Hanover Square, New York, N.Y.

DEAR MR. METCALF: We wired you this morning as per attached confirmation. I sincerely trust you will receive telegraphic reply from Bolivia in time for us to proceed with the manufacture and have the bombs in New York by the tenth of October. We can at least get a very large percentage of them.

I hesitate to comment on the availability of boats to carry this cargo, since that is your business, but it seems to me that a small freight boat could be chartered to take a cargo of this size. We understand that shipping regulations prohibit the carrying of these bombs on boats carrying passengers. Carrying of TNT bombs, however, should be no greater hazard than carrying dynamite, as the detonators and firing mechanisms are not packed with the bombs. They represent nothing more than metal containers for the TNT and, as you doubtless know, it takes quite a violent shock to set off TNT. With the Interstate Commerce Commission allowing shipment of these across the country in L.C.L. lots, there should be no serious question of mixing this freight with other types of freight aboard a steamer.

The freight rates which we quoted to New York include a lighterage charge. The rate to New Orleans or Los Angeles was the railroad freight rate only, as we had no means of determining a lighterage charge in these two latter ports. I presume that it would not be necessary for a lighterage charge in New Orleans, and if the entire order was given we would absorb the lighterage charge in Los Angeles.

The arrangement between you and Mr. Jonas is satisfactory to us.

You understand that the shipping schedule which we have given you calls for twenty-four hours a day, seven days a week working schedule with us, and bars any trouble due to fires, explosions, or "acts of Providence" beyond our control.

You can be assured, however, that the bombs will be manufactured faster by far than it would be possible to secure them anywhere else in the world.

Looking forward to the pleasure of having your order, I am,

Very sincerely yours,

Federal Laboratories, Inc.,
Initialed JWY, *President*.

JWY: GO.

Exhibit No. 685

[Leon & Bonasegna, Calle Alsina 2062/70]

Buenos Aires, *August 22, 1933*.

Mr. Frank S. Jonas,
312 Broadway, New York.

Dear Frank: I am in receipt of your air-mail letters of July 30th and August 11th.

I have already written you at length regarding the question of discounts and commissions, and having covered the subject completely, there is nothing further that I can add except to hope that you will have been able on receipt of my recent correspondence, to have a show-down with Mr. Young and decide what our future actuation with them is going to be.

Regarding new business, I have two proposals up with the Buenos Aires as well as the Montevideo police, and I am expecting some small orders within the course of this month. As far as the Buenos Aires police order is concerned, I am sure that it will be placed on the same terms as the last order; and consequently if we are only to make 10% commission on the business, we are not going to be satisfied, as the time and work employed in taking this business is not commensurate with the profit involved. We hope that Mr. Young, all in accordance with the correspondence previously exchanged, in which he authorized us to quote 25% discount to police departments, will not be arbitrary and refuse to fill the orders unless it is on a 10% commission basis for us.

I do not agree with you that our prospective business with Paraguay and Bolivia is a dead issue; the trouble between these two countries still exists, and only last night the papers were full of new attacks made by Bolivia on Paraguayans. Only yesterday we had an air-mail letter from our agent in Bolivia in answer to one of ours in which I offered to go to La Paz, in which he advised that momentarily he did not think it advisable for me to take the trip, not because there was no interest but because there would still be some delay regarding a fixed decision, more for administrative reasons than for anything else. He further went on to say that he was keeping right after the minister and that he expected to be able to give me something shortly.

Just as a matter of information for you, and which I would ask you to keep confidential, our agent in La Paz is Mr. Jorge Saenz, of the firm of J. Saenz & Hijos. This name, no doubt, will be familiar to you, as it treats of one of the strongest firms in Bolivia, Mr. Saenz, Sr., being president of the Bolivian railroads, head of the alcohol monopoly, and an important banker. Mr. Saenz, Sr., you will recognize as an ex-Ambassador to Italy. It so happens that Saenz is a very distant relation of my wife and he is a very close pal of mine; therefore, anything he can do for me, or in the protection of my interests, he is doing with great pleasure. It might further be interesting for you to know that Mr. Saenz, Jr., is the actual head of their business, Mr. Saenz, Sr., being in Europe. In other words, the idea that I am trying to put over is that our agent in Bolivia is not just one of those manufacturer's representatives but a person of weight and responsibility and with very close social relations with the President and ministers of the Republic of Bolivia. As a matter of fact, he was asked by the President to form part of the Cabinet, which he refused on account of his business interests.

Regarding your paragraph re Alfredo Gottling, I will have absolutely no objections to getting together with Mr. Gottling, but personally I do not believe that we will get anywhere. I make this statement in view of a conversation I have just finished having with the Buenos Aires chief of police, Colonel Garcia, who again emphatically stated that it was against the law to bring in what are termed here as "armas de guerra", and a submachine gun, such as the Thompson, certainly is classified, by this Government at least, as an "arma de guerra." The only possible way to bring in Thompson guns is through the Arsenales de Guerra de la Nacion; otherwise they will be confiscated. However, I have an appointment with Mr. Gottling for tomorrow, and after our interview I will again write you and tell you just exactly what we have arrived at.

I am always very glad to get your letters, and I want to assure you that now more than any time we are keenly interested in selling both Federal and Thompson equipment. Business is so absolutely rotten that any business is nice to get, and especially so business of this nature, where once the order is taken the operation is practically finished.

Yours very truly.

(Signed) LEON H. BONASEGNA.

RL/GHS.

EXHIBIT NO. 686

(Answered 4/5/32.)

FEDERAL LABORATORIES, INC.,
Pittsburgh, Pa., U.S.A., April 4, 1932.

Mr. FRANK JONAS,
% Export Consolidated Co.,
21 West Street, New York, N.Y.

MY DEAR FRANK: I notice in Sunday's Herald Tribune that they were expecting labor trouble at the Panama Canal. This paper lists the Callahan Company and Shirley, Peterson, and Gunther as contractors. This is for the new Madden Dam Alejuela. I think if these people are properly solicited they can be convinced of the importance of carrying tear gas on hand in Panama. I suggest you follow this through.

Yours truly,

FEDERAL LABORATORIES, INC.,
JOHN W. YOUNG, *President.*

JWY: AEH.

(Pencil notation: "W. E. Callahan Construction Co., St. Louis, Mo., Grafe, vice pres., or Capt. Crawford in Panama, C.Z., Slocumb @ Panama City, Ancon.)

EXHIBIT NO. 687

FEDERAL LABORATORIES, INC.,
Pittsburgh, Pa., U.S.A., April 4, 1932.

Mr. FRANK JONAS,
% Export Consolidated Co.,
21 West Street, New York, N.Y.

MY DEAR FRANK: I notice Bogota, Colombia, is under special guard of twelve hundred police operating as an army. What are we doing to put on an intensive campaign to sell the Colombian Government and get them to put up some money. The same paper carried an account where Asuncion, Paraguay, is selected as headquarters for Russian propaganda with $350,000 appropriated. It seems to me a special bulletin to all South American republics, reproducing a copy of this newspaper clipping and mailing it to them, should stir them to getting tear gas.

Yours truly,

FEDERAL LABORATORIES, INC.,
JOHN W. YOUNG, *President.*

JWY: WEH

(Pencil: "Answered 4/5/32.")

EXHIBIT No. 688

[Photostatic copy]

FEDERAL LABORATORIES, INC.,
Pittsburgh, Pa., U.S.A., July 22nd, 1932.

Mr. FRANK S. JONAS,
c/o EXPORT CONSOLIDATED COMPANIES,
21 West Street, New York, N.Y.

MY DEAR FRANK: Replying to your letter of July 16th, relative to proposed trip to Latin America, as you know I have been studying this market very intensively, and I do not know a more opportune time than at present to cover this territory insofar as the actual need for equipment is concerned.

I believe these needs are so pertinent that financial arrangements can be made with the various countries. The present depression gives the necessary cause or excuse to start a revolution and the prospects of a revival of trade in the future is furnishing the incentive to those who are out of power to try to get into power through the medium of revolution.

If you do not contact with these people personally at this time, I am afraid European countries will get in especially on the Winchester end, and you will lose both valuable business and some contacts.

Have you circularized your mailing list again? We sent you 100 copies of our circular on bullet-proof vests yesterday, and previous to that we sent you all of the material we had on hand that you requested of me personally. I have been detained in Pittsburgh and unable to see my way clear to get to New York before next week.

Sincerely yours,

FEDERAL LABORATORIES, INC.,
JOHN W. YOUNG, *President.*

JWY:GO.

EXHIBIT No. 689

NEW YORK, *April 18, 1932.*

WINCHESTER REPEATING ARMS CO.,
New Haven, Conn.
(Att.: Mr. Beebe.)

GENTLEMEN: For your information, I am working on the following prospects, which I trust will develop shortly. Mr. Lew, of the Bank of Canton, for China; Curtiss-Wright, United Aircraft, North American Aviation Corp.; Mr. Wing Kwong, of the Shanghai police.

I am also working with Mr. Saraga, of 17 Battery Place, who has requested me to quote him on 200,000 30/40-caliber cartridges and 100,000 351 cartridges. Mr. Saraga tells me that these goods are for export but would not give me destination. I, therefore, told him that in case your quotation would include the 10% Government tax.

I will give you further details in a day or two on the other companies with whom I am working.

Auto-Ordnance looks very favorable, as they received a permit to ship a quantity of guns and ammunition for China and are now waiting credit to be opened.

Kindly send me six (6) export price lists and six catalogs of arms and ammunition. Please include with these the same quantity of flashlight catalogs and price lists.

Please send the above catalogs to room 1702, 21 West Street.

Yours very truly,

F. S. JONAS.

FSJ:RL.

EXHIBIT No. 690

JUNE 26, 1933.

Mr. JOHN W. YOUNG,
Federal Laboratories, Inc., Pittsburgh, Pa.

DEAR MR. YOUNG: On the 12 magazines for Thompson guns which Saraga wants to buy, I can very easily say that these are to be delivered to a passenger going to Buenos Aires.

If you are agreeable, you can ship them to me at my office and bill me for them. I will then collect from Saraga and remit.

Please advise me if this is O.K.

I can see no harm in filling the order this way, as it is not prohibited to handle magazines here in New York.

Would appreciate your doing your best on this order for me.

Yours very truly,

FRANK S. JONAS.

CWR/fb.

EXHIBIT No. 691

JANUARY 16, 1934.

W. R. GRACE & COMPANY,
Hanover Square, New York, N.Y.
(Attention Mr. H. E. Metcalf, manager.)

GENTLEMEN: We wish to confirm prices given you over the telephone this afternoon in connection with your inquiry for Chile:[1]

1,000 30 lbs. smoke bombs, loaded.
2,000 59 lbs. incendiary, loaded with fire (fagots but not fuel).
500 30 lbs. chemical bombs (burning type C. H. & I. M.).

The above quotation is subject to a discount or commission of 20%. These prices are f.o.b. Pittsburgh.

Trusting we may be favored with your order for this material, we are,

Yours very truly,

FEDERAL LABORATORIES, INC.
(Export Department.)

CWR/fb.

("Exhibit No. 692" appears in text on p. 1733)

EXHIBIT No. 693

SEPTEMBER 26, 1932.

Mr. H. E. METCALF,
Manager W. R. Grace & Company,
Hanover Square, New York, N.Y.

DEAR MR. METCALF: Confirming our phone conversation today and revising our quotation of Saturday, we will allow you 2½% for cash against shipping documents. Your regular discount of 20% will apply against list prices shown in our letter of September 24th. Corrected quotation as follows:

500 25-lbs. fragmentation bombs, ring type, loaded with TNT, at $35.50 each		$17,750.00
Freight, $1.66 each	$830.00	
500 50-lb. fragmentation bombs, ring type, loaded with TNT, at $35.50 each		23.500.00
Freight, $3.47 each	1,735.00	
250 100-lb. demolition bombs loaded with TNT, at $65.00 each		16,250.00
Freight, $6.00 each	1,500.00	
	4,065.00	57,500.00
Less 20%		11,500.00
		46.000.00
Less 2½% cash discount		1,150.00
		44,850.00
Plus freight		4,065.00
Total		48,915.00

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[1] The prices quoted in "Exhibit No. 691" were deleted by permission of Senator Bone. (See text, p. 1732.)

The freight rate on the 25-lb. fragmentation bomb as quoted to us is $1.66 instead of $1.40. It is understood that you and Mr. Jonas have arranged between you as to his position in the picture.

It is understood that you agreed to allow us to ship the 100-lb. demolition bombs instead of 120-lb. bombs at the same price. For your information, we are penalized approximately $1,150.00 in order to make delivery date in San Pedro in time to meet the boat on October 17th.

I want to thank you for the order, Mr. Metcalf. We do appreciate it and I want to have our service in expediting the order show our appreciation.

Personally I think you are a thousand dollars to the good on this order because I wasn't in New York.

Very sincerely yours,
FEDERAL LABORATORIES, INC.,
(Signed) J. W. Y., *President.*

JWY: GO

Ink notation on bottom of letter: "It is understood you get 5% on the list." Initialed JWY.

EXHIBIT NO. 694

[Air mail]

OCTOBER 14, 1932.

LEON & BONASEGNA,
Calle Alsina 2062, Buenos Aires, Argentine.

MY DEAR LEON: This letter is confidential, so please tear it up the moment you have read it.

I had lunch with Love of United Aircraft last week and he told me he is leaving for Rio and Buenos Aires on Saturday, October 15th. During the conversation I brought up your name, telling him of what a good agent you would make. He told me that he was corresponding with you and intended to make some arrangement with you, but on a small commission basis, as the business that he was working with the Argentine Government would run into very large figures. He impressed on me that I should not mention this to you on any condition, so I would appreciate it very much to keep this information confidential.

The 3,000 Thompson guns is a myth and nothing yet has developed in any of your territory; however, from day to day I hope something will result. I received your letter of the 28th and I have shown it to Young and Ryan.

I again went to Washington last week and saw the Paraguayan Minister, and he told me he has not received instructions as yet, but as soon as he did he would inform me.

The Bolivian Government has made purchases of army equipment through Grace & Co., and this morning the same company called up and asked for quotations on demolition bombs. Other companies are also manufacturing these bombs, so they will have to figure a very low price as you know how closely commission houses buy. If the Government would only deal direct there would be a chance of making some money, but thru a commission house I cannot see where anyone was getting rich.

I have quoted them on chemical bombs and they are forwarding these quotations. If we could sell some of these, we could make a good profit, as there is only one other competitor in the States.

Roehrig again wrote me regarding Gottling and says he is most anxious to sell the Thompson guns, but I have replied that they will have to take the matter up with you, as you have the exclusive agency.

With regards and the best of wishes, I am,

Sincerely,

F. S. JONAS.

FSI: RL.

EXHIBIT NO. 695

EXPORT OFFICE, 277 BROADWAY, NEW YORK, N.Y.,
8 de Agosto de 1933.

LEON & BONASEGNA,
Calle Alsina 2062/70, Buenos Aires, Argentina.

GENTLEMEN: Thanks very much for your letter of July 26th, informing us in detail of your conversations with the police inspector in Buenos Aires and the Peruvian Ambassador. This cooperation, you may be sure, is very much appreciated and we only regret that we are unable to authorize you actually to close any business that may be in the offing for Peru. W. R. Grace & Co. is representing us in Peru and, of course, you will understand that this makes it impossible for us to sell through other channels.

We informed W. R. Grace, however, of your activities with the Peruvian Minister in Buenos Aires and they are following through strongly in Peru.

Thanks once more for your good offices in this matter.

Very truly yours,

FEDERAL LABORATORIES, INC.
(Export department.)

CWR/fb.

EXHIBIT NO. 696

SEPTEMBER 6, 1933.

Mr. H. E. METCALF, *Mgr.*,
W. R. Grace & Company,
City Hall Station, New York, N.Y.

DEAR SIR: I wish to confirm our telephone conversation of today. We can furnish at Gibbstown, N.J., on September 16th, the following bombs, provided we receive the order by noon September 7th:

20 12½# fragmentation bombs; 260 30# frag. bombs.
16 25½# demolition bombs; 100 100# dem. bombs.
5 300# demolition bombs; 14 600# dem. bombs.
10 10# demolition bombs; 25 50# dem. bombs.
50 50# frag.

We once more want to emphasize the fact that in order to make this delivery it is imperative that we have your authority to proceed with the order by noon on September 7th, and that we shall effect delivery at Gibbstown, N.J., during September 16th.

We want to call your attention to the price which you are using. In some cases you have used quantity prices for larger quantities that are being supplied. If you are able to take the number of bombs which we have outlined here, we will use the price which you have repeated to me on the telephone; otherwise, if you are unable to take the entire order, will be obliged to split the difference in selling price with you. Repeating once again our prices, the 12½-lb. fragmentation bombs were priced to you by myself at $17.50 each. Similarly, I priced the 25-lbs. demolition at $27.00, the 300-lb. at $200, the 600-lb. at $365, and the 10-lb. bomb at $20. You told me that you were using the following prices: 30-lbs. frag. $32.60. This price should be $33.60 since the quantity is under 500. On the 100-lb. demolition you used price of $62, which should be $63.50 in quantities of less than 100, not including freight on the bomb casings. On the 50-lb. demolition you use price of $39.50, which should be $42, not including freight. On the 50-lb. frag. you used price of $43, which should be $44, not including freight. I told you on the phone to omit freight charge on the 300- and 600-pound bombs, since we would absorb this charge ourselves; that is, freight charges to the loading plant only.

We hope that you will be able to obtain this order and we want to assure you that we will do our best to give you a quality product and make delivery on September 16th. We want to also call your attention to the fact that on the 100-pound demolition bombs we will be obliged to furnish two types, the difference being very trivial; namely, in the taper on the end of the bomb body which will in no way effect the purpose of the bomb. The above prices quoted you are list prices and you are entitled to a 20% discount on these prices. Since we are standing by awaiting word from you to proceed we will ask that you give us some acknowledgment or advice before noon on September 7th.

FEDERAL LABORATORIES,
R. B. REYNOLDS.

EXHIBIT NO. 697

No. 10.

LEON & BONASEGNA,
Calle Alsina 2062/70, Buenos Aires, Oct. 2nd, 1933.

Mr. FRANK S. JONAS,
277 Broadway, New York.

DEAR FRANK: Further to your recent letter regarding our releasing Chile, due to the fact that Grace & Co. are interested in working that territory, we do not feel that we would like to release this territory for the time being at least.

You will remember that I made a trip to Chile especially for Federal business, and we would like to cash in on our investment. We positively know that Chile at this moment is in no position to buy gas. We further know that there have been a lot of leads in connection with this business, and we have taken the matter up with two Chilean Ambassadors in this country, with absolutely no results. We are now in touch with a third Ambassador. Please do not think that we are neglecting this business, because we are not. It interests us exceedingly, but, like everything else, it is a question of working it.

Yours very truly,

(Sgd.) LEON & BONASEGNA.

RL/GHS.

EXHIBIT No. 698

APRIL 26, 1934.

Mr. JOHN W. YOUNG,
President Federal Laboratories, Inc.,
185 Forty-first Street, Pittsburgh, Pa.

DEAR MR. YOUNG: Pursuant to our conversation of yesterday and your information that you had heard it rumored that the American Armaments Company had obtained that big Bolivian order, I sounded out Mr. Metcalf, of Grace & Company, and he cabled La Paz. He just called up, saying, "That he had received a cable reply informing him that they did not expect any action to be taken until the President's return from the front."

On the specific inquiry as to whether American Armaments had received any business, they informed him that they would investigate thoroughly and advise him.

Mr. Metcalf had the information, and while he does not want to say anything definite at this moment, nevertheless, their general manager in La Paz is about to assume a very important position about May 1st, which will bring him immediately in touch with the President. No doubt we will hear more definitely about this in the near future. In the meanwhile, of course, you will keep this dark.

Yours very truly,

C. W. RICH.

EXHIBIT No. 699

JUNE 8, 1932.

Mr. FRANK JONAS,
Room 810, 56 Pine Street, New York, New York.

MY DEAR MR. JONAS: Replying to your letter of June 7th, we are pleased to quote the Cuban Government on the following equipment:

Commission figured		Each	
10%	400 type B military gas masks, at	$12.50	$5,000.00
20%	2 4.2″ Maxwell rifled mortars, complete, at	1,600.00	3,300.00
20%	2 3″ Maxwell rifled mortars, complete, at	1,650.00	3,100.00
20%	300 demolition projectiles, 4.2″ mortars empty, at	42.00	12,600.00
	Loaded with TNT or white phosphorous, at	57.00	17,100.00
20%	300 demolition projectiles, 3″ mortars empty, at	33.00	11,400.00
	Loaded with TNT or white phosphorous, at	52.00	15,600.00
	(The above quotations are on rifled mortars and shells. A reduction will be given if smooth-bore mortars are ordered.)		
20%	300 explosive rifle grenades, at	3.50	1,050.00
20%	500 empty fragmentation bombs, 30 pound, at	19.00	9,500.00
20%	300 loaded fragmentation bombs, 30 pound with firing mechanism, at	46.00	23,000.00
35%	3 only riot guns	65.00	195.00
35%	100 long range tear-gas cartridges, at	8.00	800.00
35%	100 long-range vomiting gas cartridges, at	10.00	1,000.00

A few days ago I checked up on the Government prices on some of this equipment and on the 4.2″ mortar shells we were below the Government. We were also below them on the 4/2″ mortars. In fact, I do not think any 4/2″ mortars would be sold. We recommend the 4/2″ mortar over the 3″ mortar, as the 3″ shell does not have the large capacity.

I believe it would be very much worth while to have this customer come to Pittsburgh with you and let us give him some demonstrations, and would recommend that you bring him on, providing he come before next Tuesday as I am leaving Monday night for upper New York State and arriving in New York City Wednesday or Thursday. If he cannot come to Pittsburgh, and you have the negotiations in position to close, or you think my presence might help you in settling a few details, perhaps building an order up, I can catch the plane tomorrow afternoon, get in New York about 6: 30 and spend Thursday evening with you, and all day Friday.

It might be after you get your Government prices that we will have to make some adjustments, though on some items there is not much room for adjustment. At any rate, do not fail to call on me if I can be of any value.

I presume the new bomb he is referring to is the "Bouncing Betty." If that is the case, I am sure he cannot purchase it.

We have just recently developed a 50-pound incendiary bomb which can be sold for $16.00 each. Our firing mechanism is the propeller type, similar to that in use by the Government.

Very sincerely yours,

FEDERAL LABORATORIES, INC.,
——— ———, *President.*

JWY: GO

It is very difficult to add 10% on as you suggested. In the case of the mortars and shells we are competing with Government prices. The 4/2″ mortar shell is $57.50. We are quoting $57.00, as against our former price of $85.00. The $85.00 was given on a chemical shell which is a bit more expensive than the demolition, but we have made a very marked cut. $1,650.00 is the price on the Government 4/2″ mortar. We have quoted $1,600.00, which happens to be our regular list. Should we add the 10% to this? and go above the Government price?

Cuba has a price list of our equipment. Is it safe to jump prices 10% without getting your customer in trouble. I am going to let you and your customer add your 10%, and where it is possible to do so we will cover you; where it isn't, I believe it will be necessary for you to work it out some other way. It would be so much better if we could discuss it than it is to write a letter before I know what we are up against on Government prices.

I think we should discuss with this man the following additional equipment—jumbo hispeed combination tear and vomiting gas grenades, $14.00—portable chemical cylinders, $155.00—airplane smoke screen apparatus.

J. W. Y.

EXHIBIT No. 700

JANUARY 19, 1933.

BYER & CO., INC.,
120 Liberty St., New York, N.Y.

GENTLEMEN: Confirming our conversation with reference to quoting you on the following material: The quotations and deliveries I can make are as follows: 2,000 Springfield 30.06 Government rifles and bayonets, $24.50.

Deliveries can be made 100 a week. The terms requested on these rifles are 25% with the order and the balance on an irrevocable letter of credit; payment against documents after each shipment.

The prices on the 100 Thompson guns will be as follows: On the 21–A, $175.00 f.o.b. New York. On the 21–AC, with Cutts compensator, $200.00 each.

If there is no agent in the country to which these goods will be shipped, the discount will be approximately 15% on these prices.

1,000,000 150-grain U.S. Gov't. 30.06 cartridges, $28.00 per M.

Deliveries: 100,000 first week, 100,000 second week, 200,000 each week thereafter until order is completed. In other words, delivery in six weeks.

45 calibre ammunition, $15.00 per M.

Deliveries: 100,000 at once; 100,000 first week; 100,000 second week; 200,000 each week thereafter, making total delivery of a million in five weeks.

Yours very truly,

F. S. JONAS.

FSJ: RL

EXHIBIT No. 701

[Codes used: General, A.B.C. 5th Ed. Imp., Bentley's, Lieber's]

FRANK SHERIDAN JONAS,
277 Broadway, New York, N.Y., July 6, 1933.

REMINGTON ARMS CO.,
Bridgeport, Conn.

GENTLEMEN: Enclosed please find an order I have today received from the Auto Ordnance Corporation, to which kindly give your attention.

Same is to be invoiced at jobbers' price less 10% tax as they will forward you a statement showing that these goods are sold to the police department. Of course, if they are used for demonstration, the tax will have to be included.

I have today received an order from Honduras for a quantity of bombs. This is being shipped by Baltic Shipping Company. This company are also agents for Dada–Dada, of San Salvador, who are doing a great deal of buying for the San Salvador Government and who have recently placed an order for $14,000 net for bombs and have also placed an order with Curtiss-Wright for $56,000. They state that Dada–Dada have requested price on revolver and rifle ammunition and have asked me to quote. Please advise me what quotation I should make them.

Very truly yours,

(Signed) FRANK S. JONAS.

CWR/fb.

EXHIBIT No. 702

MARCH 6, 1933.

R. F. SEDGLEY, INC.,
2311 North 16th Street, Philadelphia, Pa.

DEAR MR. SEDGLEY: The list you gave me of the machine guns you have in stock is over a year old, so it is probably not correct. Will appreciate it very much if you would send me by return mail a revised list of the goods you have in stock for sale.

I have an inquiry for 750 Lewis machine guns and 10,000 Springfields, which seems incredible, but nevertheless I have to follow it through.

Have you as yet written to the B.S.A. people in England to find out if you can get quotations on Lewis guns in bond here?

Yours very truly,

F. S. JONAS.

FSJ: RL.

EXHIBIT No. 703

Agreement made this 15th day of September 1933 between Federal Laboratories, Inc., a corporation of the State of Delaware, hereinafter referred to as "Federal", and Frank S. Jonas, of New York, N.Y., hereinafter referred to as "Jonas."

Witnesseth: That Federal hereby employs Jonas as export manager, and Jonas hereby accepts such employment upon, under, and subject to the following terms and conditions:

Jonas shall be entrusted with the responsibility of supervising and shall be credited as hereinafter provided on all sales of Federal which are made for direct export shipment, excepting those sale or shipments into Canada, the United Kingdom of Great Britain, and India. Jonas shall give his best efforts and not less than half of his time in directing the sales of Federal products and other products handled by Federal, and in securing and supervising agents for Federal. Jonas shall maintain his own office and all necessary clerical help to properly conduct the business at his own expense, said office to be satisfactory to Federal, but Federal shall not require Jonas to pay an office rental greater than is now provided in his present lease.

All subagency agreements, rate of commission, and subagents and terms of credit shall be subject to the written approval of Federal at the home office of Federal. A schedule of subagency commissions now in force is attached hereto and made a part hereof. All payments for goods sold shall be made direct to

Federal. Demonstrating equipment shall be supplied direct to agents by Federal at regular demonstrating prices unless otherwise provided for in writing.

The remuneration to be paid to and received by Jonas for his services shall be as follows:

1. On products sold for export shipment as mentioned herein, on which Federal acts only as sales agents and does not participate in manufacturing the same, which includes gas masks, Thompson submachine guns, Smith & Wesson revolvers, plain armor plate, helmets, and armored cars, Jonas will receive as his commission one-half of the profit or commission realized by Federal in the transaction.

2. On products sold for export shipment as mentioned herein, manufactured by Federal or in which it participates in manufacturing, the remuneration of Jonas will be on a commission basis, which shall be as follows:

(*a*) 10% overriding commission on such sales made of gas grenades, riot guns and cartridges, gas billies and cartridges, smoke candles for police use, bank equipment, and bullet-proof vests.

(*b*) 5% overriding commission on all such sales for military use, which category includes airplane bombs, smoke screen and gas-spraying apparatus, portable chemical cylinders, mortars, livens, projectors, explosive grenades, aerial gas grenades, and white phosphorous grenades.

Overriding commission means a commission in addition to the commission paid to subagents.

Commissions shall be calculated on the gross sales prices, f.o.b. factory, and all commissions shall be payable upon receipt of payment of the account by Federal. The total combined commission to Jonas and subagents shall not exceed 55% on the protect-o-guns, 45% on the remaining tear-gas equipment, and 25% on military equipment, except as specifically provided in an existing agreement between Federal and Jonas with regard to the Government of the Argentine Republic.

Where the total annual export sales are in excess of $250,000 per year, said rates of commission shall be reduced by 10% for each additional $100,000 or fraction thereof in excess of $250,000.00. An example of this commission set-up is as follows:

1,000 hand grenades at $8.00 each		$8,000.00
Less quantity discount of 20%		1,600.00
Net amount of invoice		6,400.00
Agent's commission, 30% of net	$1,920.00	
Jonas' overriding commission 10% of net	640.00	
Total commission allowed, 40%	2,560.00	

In case of export sales totaling $250,000 in a given year (net amount after quantity discount deducted), Jonas' commission would be $25,000.00.

In case of such sales totaling $300,000 in a given year (net amount after quantity discount deducted), Jonas' commission would be 10% on the first $250,000.00 and 9% on the remaining $50,000.00.

It is understood and agreed that Federal shall not be responsible for delays in delivery due to strikes, accidents, acts of Providence, or other causes beyond its control, or liable for damage arising therefrom or because of the actions of.

This agreement shall be effective upon the date and shall continue in force for two years from said date and thereafter, until the expiration of sixty days after notice in writing is given by either party to the other terminating the agreement. In event that the agreement shall be cancelled by Jonas, he agrees no to engage directly or indirectly in any business competing with Federal for a period of two months after termination of this agreement. He further agrees not to engage directly or indirectly in any business competing with Federal during the life of this contract.

This agreement supersedes and cancels the present contract between the parties covering Latin America, Mexico, and Cuba, except the total commission provision of the Argentine Government contract above referred to, and is a personal agreement and nonassignable by Jonas without first securing the written approval of Federal.

In witness whereof Jonas hereunto set his hand and seal and Federal has caused these presents to be duly sealed with the common and corporate seal of the said corporation affixed thereto by the hand of its authorized officers, all the day and year aforesaid.

FEDERAL LABORATORIES, INC.

Attest:

By ______________________________, [SEAL]
President.

______________________________,
Secretary.

____

____

Schedule of maximum discount or commission for export agents

	Percent
Police and bank equipment:	
Protect-O-guns	50
Police billies and cartridges, gas hand grenades, gas rifle grenades, riot guns and cartridges, model YS systems—grade A, safe equipment, chemical vault lining, gas candles, smoke candles	35
Munition vests, model YS system—grade B	30
Military equipment:	
Trench mortars and shells, demolition bombs, fragmentation bombs, incendiary bombs, practice bombs, gas masks, airplane smoke and gas spraying equipment, portable chemical container, aerial gas grenades, white phosphorous grenades	20
Thompson submachine guns, bullet-proof vests	25

EXHIBIT No. 704

LEON & BONASEGNA,
Calle Alsina 2062/6/70, Buenos Aires, November 21st, 1932.

MR. FRANK S. JONAS,
56 Pine St., New York, N.Y.

DEAR FRANK: I have just finished having an interview with Francis Love of the United Aircraft, and while it is true that for several reasons he finds it prudent not to make any arrangement with us, due principally to the fact that both the Army and Navy have always purchased direct and do not care on this class of equipment to work thru an agent, still my interview with Love has been very fruitful, as he has given me a lot of information by word of mouth that perhaps you could not have written or would not have cared to write.

He has given me all the inside information not only regarding your troubles with the Federal, but also what kind of an outfit they are. He has further given me a lengthy word picture of what the Lake Erie crowd amount to. Last but not least he tells me that you are undecided as to the advisability of taking on the Lake Erie and throwing down the Federal.

From what Love tells me the Federal outfit do not seem to be straight shooters. Of course he has told me this confidentially. He further advised me just how and who make up their products. From the information that he gave me I gather that the profit on all this material is enormous, and that all that Young says in his letters regarding there being no profit in it for him is pure "bologne." If this true, then my opinion that we were getting bilked when we were advised that only 10% commission would be paid on the police business, but confirms what my personal opinion was.

Unfortunately, we have done work too well for the Federal Laboratories, as the trademark Federal is firmly entrenched, and the police, not only of this city but also of the provinces, will not even look at Lake Erie. The proof of this is that they even refuse to see the samples which the Williams Chemical Co. brought down. Just for your private information, we have seen the contract between the Williams Chemical Co. and the Lake Erie, where they pay them 40% on some products and 50% on others.

We have done, and are doing, a lot of work for the Federal. At present I have before me an order ad referendum for one of the provinces for approximately $2,500 which should be closed this week. I have several other businesses on the pan, and it does not seem fair to me that we should continue working as intensively as we have on the outlook for future business that will repay us for the spade work, if we are not going to get a fair shake, and I would like to have you tell Young just exactly how I feel about the entire proposition. If it is true that we have been able to introduce Federal material in this country, we can just as easily kill it and work some other line. The agent for the German Bergman machine gun, as well as the exclusive representative for a large German gas factory, which makes a similar line to the Federal or Lake Erie, have been after us for six months or more to drop our American line and take on the German one. He can do nothing with it but he knows we can. We want to play fair with you and we want to play fair with the factories we represent through you, but we also want fair play from them.

Among other things we talked about, Love confirmed what our agent in Bolivia wrote us about last week, and which is that the Federal Laboratories through Grace has sold Federal Laboratory material to the Bolivian Government. We are giving you this information in case you do not know it, in order that you may claim from Young the value of our commission. There's no reason in the world why we should have worked for a solid year, made a trip to Bolivia, and did all the initial work, if we are not to profit by the business once it is consummated. It is very important that you look into this matter, as it's something that interests both you and ourselves, not only from a standpoint of dollars and cents, but from a standpoint of business policy. If this has actually happened, then with the same judgment, if the Argentine Army were to order direct from the Federal Laboratories tomorrow, we would be cut out of our commissions.

I wish you would write me plainly and explicitly with respect to the entire proposition as your reply to this letter will serve as a base for the work which we are now doing and contemplating doing. We are working on two big deals, one in Uruguay and one in the Province of Buenos Aires; and it would be suicide for us to continue the work, compromising ourselves to certain commission arrangements, if we are not to be fully protected.

It is unfortunate that I cannot go to the States at this time and take this matter up with you and Young, as I am sure that with a personal interview, and with your assistance, that we could thresh the thing out and come to something tangible once and for all. It seems that every time we write the Federal Laboratories on a matter of business policy, that they always shoot from some different angle and never come down to anything concrete, which is absolutely necessary in all business arrangements.

I am writing you this in a personal way as I want you to feel that this letter is from me to you, not from our firm, and that you can use same as you see fit.

With kindest and best regards, I am,

Sincerely yours,

(Signed) RAOUL LEON.

RL/CHS.

EXHIBIT No. 705

MAY 26, 1932.

Messrs. LEON & BONASEGNA,
Calle Alcina 2062, Buenos Aires, Argentine.
(Attention: Mr. Raoul Leon.)

MY DEAR RAOUL: I was very pleased to receive your letter of the 27th ultimo, giving me the information I desired regarding the status of the tear-gas situation. I sent this letter on to Young and this morning received copies of two letters he had written, one to you, and one to the Minister of War. The man is an idiot and I cannot understand why he should have done this. His letter to you giving you advice as how to act is the most presumptuous thing I have ever read and I would suggest that you write him telling him that you can run your own affairs in the future. I have a contract for two years more and as long as I have an agreement you will have one if you care to continue.

Young has been doing some good business up here and it has gone to his head. His letter to the Minister of War will probably find the wastebasket. I am today writing to Young to leave matters of this kind entirely in your hands.

You will be surprised to hear that I am back with Winchester and if business picks up I will take another trip for them, but from the looks of conditions I will be an old man before this develops.

Western Cartridge Co. manufacture sporting powders and I have written to them about you and asked them to communicate with you regarding the agency if they are not already represented. If I find that they are represented I will endeavor to secure some other agency for you.

If you can use me up here for purchasing anying or representing you in any way, you can rest assured I will give it the best attention.

With regards and the best of wish, I am,

Sincerely,

——— ———.

P.S. How about Thompson guns? Is there anything doing?

FSJ : RB.

Exhibit No. 706

[Codes used: General, Western Union, A.B.C. 5 Edition, Lieber's, Private, Bentley's. U. T. 47, Cuyo 3091/92, Casilla Correo 1271, direccion telegrafica "Buenleon"]

Leon & Bonasegna,
Galle Alsina 2062/70, Buenos Aires, June 18th, 1934.

Mr. Frank S. Jonas,
277 Broadway, New York.

Dear Frank: "Tell Leon we are passing along to Mr. Jonas, who is on a trip. Congratulate him on initiative of last paragraph and wish him luck. We are preparing his latest police order."

Perhaps this letter will reach you on your return from your Central American trip.

I do hope that your trip has been a success as all your trips are; furthermore, I hope that you have been behaving yourself.

The object of this letter, apart from the fact that I always like to write to you, is to tell you that I had a long and interesting conversation yesterday with Frank Love.

While we did not come to anything tangible, the fact remains that he called me up; that means to me that he always has me on mind, and it is possible that some day we will get together.

He again put particular stress on what a G.d.fool our friend Young is and confirmed your opinion about his preaching on a soap box and going around the corner selling armament. He also went on to tell me about Young's hobby of brotherly love, etc., etc., and finished up by saying that he would not trust him as far as he could throw a bull by the tail.

He then went on to tell me that Colonel Goss, of the Lake Erie outfit, not only is a great technician in materials of chemical warfare, but that he has surrounded himself with experts, and that in his opinion it was a better outfit than Federal, ending up his talk by telling me that if I wanted that line, he could get it for me. I promptly told Love that while I appreciated his offer, that we were tied up with Federal thru you and that for the moment at least we did not contemplate making any kind of a change unless you took over the Lake Erie or any other concern, in which case we would follow you.

It want you to understand perfectly, Frank, that Love in his offer was not trying to double-cross you or anything like it, and he went on record to this effect, to the contrary, that anything he could throw your way he would gladly do so, as he considers you one of his best friends.

Things are very quiet here just now, and this being the case, the police do not use any gas, which means it is bad for us, because we cannot sell them goods when they have stock on hand; however, I am working on a scheme with the police which may bring about desired results, and which is to have them use up some of the stuff they have by giving the men practice with the material. I may or may not be able to put it over, but I am going to try.

Nothing more for today. I hope this will find you and yours in the best of health and with best personal regards, believe me,

Sincerely yours,

Raoul.

Exhibit 707

New York, N.Y., *December 27, 1932.*

Mr. John W. Young,
Federal Laboratories, Inc., Pittsburgh, Pa.

My Dear Mr. Young: I talked to the Santo Domingo consul on Saturday and he told me to see him today with reference to the account, so this morning I visited him and he told me that the mail had just arrived and he expected to have some good news for me tomorrow morning. I have had so many promises that I am becoming disgusted and if I am not paid tomorrow please see what you can do to collect this account through the State Department or through Major Cutts.

I talked with Love this morning and have an appointment for tomorrow with him. If there is anything of interest will communicate with you.

Huber informed me today that our bomb fuse and Lake Erie's bomb fuse were sent to Piccatiny Arsenal for a test and the report was that Lake Erie's fuse was exactly as par government standard specifications while ours was not. Undoubtedly he is spreading this information around, so please investigate and advise me. During our conversation he also informed me that Goss had given him the New York City territory to work with the exception of the New York Police Department which Goss claims he has in the palm of his hands. He also volunteered the information that Goss received an order every two weeks from this department. Take this information for what it might be worth.

Caraga this morning informed me that you had telephoned to him and wanted to know what you want to see him about. I told you while you were here that I was in touch with Saraga, so why communicate with him without letting me know?

I have made inquiries regarding Mr. Apikian of the Adept Mercantile Trading Co. and the reports are he is the proverbial Turk.

I received the very nice toilet set which you sent me and thank you very much for same.

With regards, I am

Yours very truly,

F. S. Jonas.

FSJ: RL.

Exhibit No. 708

[Letterhead of Federal Laboratories, Inc., Pittsburgh, Pa., U.S.A.]

February 8th, 1933.

Mr. Frank S. Jonas,
56 Pine Street, New York, N.Y.

My Dear Frank: I received a letter from my brother Paul, and am passing on for your consideration a portion of the letter:

"For the past few weeks there has been a fellow here by the name of Coleman, representing the Erie tear gas concern. He is pretty slick and has no scruples about paying something to get his contracts through. So it looks as if he might cash in on the missionary work we have been doing. Sotomayer y Luma, the former Minister of War, is now appointed as Ecuadorian consul to Germany. I am trying to see him before he gets away.

"I think that John Reed is taking a bit more interest in getting tear-gas orders now and trust that he will not allow Coleman to run away with the business.

"Exchange here continues to go up. The sucre that used to be worth about fifty cents gold is now worth about twelve. However, this has been a great help to us on short allowances as we have been running on about 50%, and the sucre still buys as many bananas and native products as ever. In fact, bananas are selling for as low as twenty cents a bunch this money, which is about three cents gold. A Mr. Meigs, an American engineer here, is drying bananas. I am sending you a sample box. You might be able to interest someone there in promoting this business. I can get these for you for three or four cents a pound gold."

What are your suggestions?

Very sincerely yours,

Federal Laboratories, Inc.,
(Signed) John W. Young, *President.*

JWY: GO.

Exhibit No. 709

3/8/34.

From Mr. Young to Mr. De Rossi.

My Dear Mr. De Rossi: I am in receipt of a very interesting report from W. R. Grace, giving the final set-up of prices in which the U.S. Ordnance & Engineering Co. (another name for the Lake Erie Chemical Co.) are quoting $83,000.00, while their agent, Mr. Tobin, is quoting $104,000.00. You will here see an example of the character of these people when they will double cross their own agent. (I only learned during the past week that the U.S. Ordnance & Engineering Co. is a new name for the Lake Erie Chemical Co., and it does not look to me as though they were treating their agent fairly.)

There is one other card that you can play, if necessary, in order to secure this order, viz: We have some TNT loading equipment which we are willing to loan to the Peruvian Government to fill this order. This would eliminate the necessity of their paying $5,500.00; they would then only have to pay the transportation there and back, which should not exceed $500.00.

Referring to the question of the salary of the specialist, do not overlook the fact that this specialist will educate your ordnance officers in the technique of loading TNT into bombs and shells, a very valuable course of training, which will give them the very latest methods now being used in the United States. There is a great deal to learn about loading TNT, in order to avoid cavities and to get the proper crystal form in order to have high-order detonation. I would press the importance of their learning how to load bombs.

Incidentally, there was a statement made that we had furnished the United States Government with all their bombs, which is not the truth; they make most of their own.

My address by cable for the next two weeks will be: "Young, care Mingtoy—Havana", and my mail address, Apartado 2055, Havana.

Very truly yours,

J. W. Young.

Exhibit No. 710

Panama, R. de P., *June 15, 1934.*

Federal Laboratories, Inc.,
185 Forty-first Street, Pittsburgh, Pa.

My Dear Mr. Young: I called on the chief of police in Panama City and was surprised to learn that they had placed an order about three months ago with the Lake Erie Chemical Co., when Huber was down here, for 6 machine guns, grenades, ammunition, and pineapples. I asked him to permit me to see the machine guns which Huber sold them, and I received the shock of my life. The gun is an imitation Thompson, so far as the barrel is concerned, and the breech looks like a bicycle pump. There was no proper magazine for this gun. However, they were sold genuine Thompson magazines, which fit them perfectly. I asked the chief of police if he had tried these guns out, and he said he had not. I also asked him why he did not buy genuine Thompsons. He told me that Huber had told him that these were the latest type Thompson guns. Mr. Ryan should certainly get after the Lake Erie Co. and put a stop to this. I examined the gun and found that there was no manufacturer's name anywhere on the gun, and the only mark they had on it was on the barrel which said "Model 33." In supplying the Thompson 50-drums magazine along with this gun (of course, on the magazines the auto ordnance name is stamped), it gives one the impression that they are buying a genuine Thompson gun of the latest model. As they had never tried out these guns, I urged the chief to try them out yesterday, but he was not able to do so because he was not feeling well. I told him that you would like to buy one of these guns and ship them a genuine Thompson instead. He is agreeable to this, so you can write him a letter upon receipt of this letter. The chief was very much peeved after I gave him this information, and will probably make some trouble for Huber.

I am leaving for Costa Rica tomorrow morning.

Very truly yours,

F. S. Jonas.

P.S. If you want this gun, write to Universal Export Corp. and they will attend to this matter. Have appointed them our agents. Address, Panama, R.P.

EXHIBIT No. 711

JANUARY 2, 1934.

Mr. WALTER B. RYAN,
President Auto-Ordnance Corporation,
31 Nassau Street, New York, N. Y.

MY DEAR MR. RYAN: Following our conference in the office of Mr. Van Kleck, I am enclosing herewith a brief report on our activities in the export field, which I trust will give you a clear idea of the extent of our missionary work for the Thompson submachine gun.

I believe if the Thompson gun is to be sold in any quantities it will only be sold after somebody contacts the present Governmental authorities and educates them on the merits of the Thompson gun and builds up an interest in its adoption. I doubt if we can get our representatives to do this unless we assure them protection. We do not want to assure them this protection unless we are reasonably convinced that we have the proper type of representative to do this work, and this in turn requires a careful study through various channels, plus personal supervision of a traveling export man. All of this latter we have been doing.

As you know it took us 6 to 8 months to get under headway in the domestic field. I believe it will take even longer to get under headway in each of the respective fields.

I should be very pleased to have your advice as to whether or not we might have exclusive protection to cover a period of 2 years. We, in turn assure you of our earnest endeavor to aggressively push the sale of the Thompson gun in these territories.

Very sincerely yours,

FEDERAL LABORATORIES, INC.,
——— ———, *President.*

JWY: GO

ARGENTINA

LEON & BONASEGNA

You are doubtless familiar with the activities of this firm. They have represented us for several years and have succeeded in building up an excellent business on Federal products. This country has standardized on Federal Gas exclusively, their purchases running well into thousands of dollars.

BOLIVIA

W. R. GRACE & CO.

These people have already secured for us orders for both military and police equipment totalling over $100,000.00.

BRAZIL

This country has been divided into three sections in order to get the best possible results in our line. Mr. Jonas is now on a tour of the South American countries, and the following agencies have been appointed:

SOUZA, SAMPAIO & CIA., RIO DE JANEIRO

To represent us on all Brazilian Government business.

LUMINOSA, S. A., RIO DE JANEIRO

Represent us for all Brazil, with the exception of Sao Paulo, for police equipment.

KENDRICK VAN PELT, SAO PAULO

Represent us in Sao Paulo.

CHILE

LEON & BONASEGNA

Have been covering Chile for some time. Mr. Jonas now working on definite appointment for Chile on present trip. Negotiations now pending through Arturo Lamarca for larger order Santiago police.

ECUADOR

GUAYAQUIL

SR. BON FRANCISCO SEFZIG, GUAYAQUIL

Just recently appointed. This gentleman also represents the Du Pont people in Ecuador. Highly recommended to us by Mr. Bates of Du Pont. In addition to this we have already done considerable missionary work in this country. Sales to date $3,000.00.

PERU

ERNESTO DE ROSSI, LIMA

Appointed recently on recommendation of Du Pont's, whom he also represents. A real live wire—now working on a large bomb inquiry—possesses excellent Government contacts and we are confident he will give us some real representation here.

COLOMBIA

DANIEL JIMENEZ DURAN, BOGOTA

Recently granted selling privilege in Colombia. Reports to date indicate that he has been quite active with Government and police officials, with some excellent contacts.

We have sold the Colombian Government during the past two years military and police equipment valued at approximately $75,000.00.

PARAGUAY

LEON & BONASEGNA

Have been covering this territory through a subagent, Artaza Hnos., of Asuncion. A small sample order has been placed for tear-gas products.

URUGUAY

LEON & BONASEGNA

We are well represented here. Our products well introduced. The Montevideo police department have standardized on Federal gas. Purchase totaling over $5,000.00.

VENEZUELA

COL. B. DE SANTA ANNA, CARACAS

Represented us here for some time. Federal products well introduced. War Department using Federal gas.

COSTA RICA

W. R. GRACE & COMPANY

This territory just recently turned over to them. They have good contacts here, and we are well pleased with set-up.

CUBA

Mr. Young has been covering this situation personally for the past several months. Has already made one trip to Habana, with a second trip scheduled shortly. Considerable business already developed on entire Federal line, including Thompson guns.

We also have an agent on the ground, Mr. Louis Rios.

SAN SALVADOR

DADA-DADA COMPANY

We are well represented here. Although just recently appointed they have already closed some very nice business. Sales to date total $12,000.00. They have extremely good connections with the proper governmental officials.

DOMINICAN REPUBLIC

CHAS. A. POGSON, SANTO DOMINGO

Recent appointment. This party also represents Du Ponts in this territory and has been highly recommended. Federal products well introduced here. Sales to date on both military and police equipment total over $20,000.00.

MEXICO

WATSON, PHILLIPS & CIA, MEXICO CITY

Recent appointment. Appear to be quite active, with good contacts. Our products well introduced in Mexico. To date over $10,000.00 worth of tear gas equipment has been shipped into this country.

GUATEMALA

ARTURO MONSANTO & CO., GUATEMALA CITY

Appointment 1 month old. Highly recommended by several other firms whom they represent here.

AFRICA, PHILIPPINE ISLANDS, STRAIT SETTLEMENTS, FEDERATED MALAY STATES, JAVA, SUMATRA, FRENCH INDO CHINA

FILSINGER, RHINES & CAMPBELL, INC., NEW YORK CITY

Mr. Ernest Filsinger, president of this company, is now on a tour of this territory, covering important centers. Subagents are being appointed by him and reports to date indicate considerable interest in the entire Federal line.

SIAM

INTERNATIONAL ENGINEERING CO., BANGKOK

Federal products have already been introduced here and we have sold them considerable equipment. We are now working with them on a current inquiry for airplane smoke screens.

CHINA

INTERCONTINENTAL AVIATION, INC., NEW YORK AND SHANGHAI

Recent appointment. This company connected with Curtiss-Wright. Mr. Pauly, vice president, is now in China.

JAPAN

OKURA & COMPANY, NEW YORK

These people have represented us here for several years. Business during past 2 years total approximately $10,000.00.

PERSIA

Our dealings with this Government have been direct, without the aid of an agency. To date we have sold them equipment valued at $4,000.00.

RUSSIA

We have had two visits from special representatives of Russia. So far, no agent has been appointed.

PORTUGAL

SINDREATA DAS INDUSTRIES, LISBON

A fairly recent appointment. While no business has resulted to date, they seem to have good Government connections and are actively pushing all of our products.

GREECE

M. AGELASTO & J. SOTIROPOULO, ATHENS

These people have excellent reputation and have secured some valuable Government contracts from time to time. They are at present working on large inquiry for Federal equipment. Mr. Young will probably cover this on his trip to Europe this month.

BULGARIA

OFFICE EQUIPMENT CO., BUCHAREST, RUMANIA

These people have just recently been given the privilege of working Bulgaria.

LITHUANIA

INZ. PR. NIKSA

This party recently granted selling privilege here, though no definite arrangement made. He has already succeeded in creating some interest in our military equipment, and we are hopeful of some business developing.

CZECHOSLOVAKIA

CAPT. A. T. ELEMENT, PRAHA

Introduced tear gas into this country over two years ago, their initial purchase totalling approximately $600. Inactive for a time, but with conditions improving, is again pushing Federal products, and we are hopeful of some additional business here.

JUGOSLAVIA

GEORGE H. SCHELLENS, BELGRADE

Recently granted selling privilege in this country.

NORWAY

A. JOHNSON, STOCKHOLM, SWEDEN

NOTE.—The name of Arnes & Company or Oslo has been scratched out. It contains the following notation: "Recently granted selling privilege here upon the recommendation of the American commercial attaché."

HAWAII

COL. P. M. SMOOT, ADJUTANT GEN., HONOLULU

You are familiar with correspondence with Col. Smoot regarding representation for the Thompson gun in Hawaii.

AFGHANISTAN

MR. AHMAD SHAH, KABUL

We have recently had correspondence with this party relative to Federal products. No definite agency arrangement, however, has been made.

UNITED KINGDOM OF GREAT BRITAIN (INDIA)

MRS. PATRICIA KENDALL

I believe you are familiar with the work she is doing. Mr. Young also expects to cover England in his present trip to Europe, which is scheduled for the middle of January.

FRANCE

MR. HARRY C. STONE, PARIS

Mr. Stone formerly was export representative for the General Electric Company. Went through training at our factory and is fully conversant with our complete line of equipment. Has not been very active of late, although he has turned in a small volume of business.

SPAIN

MARTINEZ DORRIEN, MADRID

Appointed through Mr. Stone. Excellent connections with high Government officials. Competitive tests on gas equipment for Government officials showed superiority of Federal products, and latest information we have is that order for sizable quantity will be placed with Federal.

TURKEY

AUTOMOBILE TIRE & TRACTOR CO.

Appointed through Curtiss-Wright Export Corp. To date have secured business totalling approximately $2,500.00.

RUMANIA

OFFICE EQUIPMENT CO., BUCHAREST

Federal products well introduced here. Business (tear gas) to date totals over $10,000.00. Negotiations under way on large military order, also Thompson submachine guns. As you know, these people have Thompson gun on hand. Mr. Young will probably cover this company on present trip to Europe.

SWEDEN

A. JOHNSON & CO., STOCKHOLM

NOTE.—The following name and notation have been crossed out in favor of the above " Europeiskt Varnuutbyte, Stockholm. This agent just appointed in September. They expressed specific interest in the Thompson gun and felt confident could develop some business on this equipment."

HOLLAND

R. A. QUINTUS, C/O OFFICE U.S. COMMERCIAL ATTACHÉ, THE HAGUE

Granted selling privilege upon the recommendation of the U.S. commercial attaché, Mr. Van Wickel. Appointment approximately 6 months old.

ICELAND

G. M. BJORNSSON, REYKJAVIK

Extended selling privilege on Thompson gun and Federal police equipment.

FINLAND

JOHNSON & CO., STOCKHOLM

NOTE.—" Warner Marthin, Helsingfors " crossed out in favor of above.

CANADA

CHEMICAL PROTECTION COMPANY, OTTAWA

Represented us here for past several years. Have made very creditable showing. Federal gas equipment now used by Royal Canadian Mounted Police, Canadian prisons, and local police.

The greater part of this territory is circularized by direct mail advertising, which reaches all officials of the various countries and cities who would be interested in your product. It is also covered by advertising in the American Exporter.

In addition to the agents as listed above, the United Aircraft Exports and Curtiss-Wright Export Corporation also have the privilege of quoting on Federal equipment in various South American and European countries.

(Added in pencil:)

Denmark: A. Johnson & Co.

EXHIBIT NO. 712

NOVEMBER 24, 1933.

Mr. JOHN W. YOUNG,
Federal Laboratories, Inc.,
277 Broadway, New York City.

MY DEAR MR. YOUNG: With reference to the trouble the Brazilian Government has been having with the gas bombs, I visited this morning, the Isle de Governado, which is the Brazilian Navy base, and everything has been satisfactorily ironed out. I do not believe that you will hear anything further from this. They have not as yet used our smoke-screen apparatus, but have promised to do so shortly.

They are interested in our practice bombs, incendiary bombs, and chemicals for smoke screens, and as soon as an appropriation is made, I am sure we will be given the business.

Mayrink-Veiga are " persona non grata " with the present regime, due to their excessive profiteering in the last revolution. I have placed our agency for the Federal Government with Souza Sampaio, who are socially the best people in Brazil. They are connected politically, and I honestly believe that if any business arises, it will be ours.

I have seen most of the aviators, who visited our factory last year, and they all send their best regards. I have delivered your letter to Captain Cabral, regarding the plant installation, and he seems very sanguine about closing the deal for us.

I am very glad that I have made this trip, as it has renewed old acquaintance, and I know and feel certain that any business arising, will be given to us.

Sincerely,

FRANK.

P.S.—I have written to Rich regarding other matter, pertaining to your business and he will keep you informed.

FRANK.

EXHIBIT NO. 713

[On the side of law and order—Thompson anti-bandit guns]

AUTO-ORDNANCE CORPORATION,
56 Pine Street, New York City, March 8, 1933.

Mr. JOHN W. YOUNG,
President Federal Laboratories, Inc.,
185 41st Street, Pittsburgh, Pa.

DEAR MR. YOUNG: I enclose original correspondence with Colonel P. M. Smoot, adjutant general of Hawaii, which is self-explanatory. Their letter of February 23rd is obviously one which should be replied to by yourself. We can recommend Colonel Smoot as an agent in Honolulu, and in view of the arrangements between your company and ourselves, I think it would be very suitable to keep him on in that capacity.

Kindly return this correspondence when it has served its purpose.

Yours faithfully,

W. B. RYAN, Jr., *President.*

WBR: HZ
Encls.

EXHIBIT NO. 714

JULY 26, 1934.

To All Federal Export Agents:

We take keen delight in advising you that the first six months of 1934 has been the most successful period in the history of our company. Total sales up to June 30th are three times as great as those for any single preceding year. A very gratifying feature of this excellent sales record is the important part that has been played by the export department of our business. To those of you who have contributed to this marvelous record we extend our sincere appreciation and congratulations. We know it has taken a lot of hard work to get this business, but it has paid dividends.

With conditions of unrest as they are today throughout the world, you have a real opportunity before you if you will only get back of this thing and push the Federal program.

Tear gas is fast becoming recognized as the leading and most humane, yet effective, manner of quelling street riots and mob violence, not only in the United States but in foreign countries as well. Here are a few instances where Federal tear gas has been used quite successfully in putting down riots, both of minor and major proportions.

You doubtless are familiar with the conditions existing in Cuba immediately after the overthrow of the Machado government. Strife reigned. Many people were felled or seriously wounded in street fighting. Realizing the need for some systematic and effective way of restoring quiet and peace to the island, the new government, under the direction of President Mendieta, appointed Mr. John W. Young, our president, as technical adviser to the Cuban Government on all police matters.

Mr. Young is now engaged in the organization and operation of a national police force to preserve law and order on the island. One of the first steps taken was to see that each division of this national police force was equipped with what we felt to be an adequate supply of tear-gas equipment to enable them to handle any emergency that might arise.

The Cuban Government has already purchased over $400,000 worth of equipment, with more to follow. Included in this equipment is gas hand grenades, both tear and sickening gas; gas riot guns and shells, gas billies and cartridges, gas masks, Thompson submachine guns, portable chemical cylinders, with gas and smoke charges, etc.

We have also equipped their police with a fleet of radio patrol and armored cars. The attached newspaper clipping shows a section of this fleet assembled at our factory here just prior to shipment to Habana. These cars are built of special steel, to withstand all types of pistol and rifle fire. Thick glass is used in windows and windshield to protect against pistol fire. Each car is equipped with a police siren, spotlight, puncture-proof inner tubes in the tires.

Each car is also equipped with a case in which is carried the following equipment: 2 gas riot guns, one dozen long-range shells, two dozen jumbo-type grenades, two gas billies, six cartridges, two type GB military gas masks, one Thompson submachine gun, and one bullet-proof shield. The armored trucks usually carry double this amount of equipment. The trucks are also equipped with an apparatus which can be used to release tear gas or lay down a smoke screen from the rear of the truck, thus obstructing it from the view of the enemy.

This type of equipment, without question, should be very valuable to the police departments of your country. It would enable them to reach a given point in a hurry and be prepared to meet any emergency that might arise.

Argentina, Bolivia, and Colombia have now standardized on Federal tear gas for their police. The Buenos Aires police are exceptionally well trained in the use of gas in combatting all kinds of disturbances. They have used it on numerous occasions quite successfully. Their police-instruction manual carried complete details and instructions for the use of tear gas. This indicates clearly the extent to which they have gone in the use of this type of modern equipment in their police work.

Rumania is another country in which Federal tear gas has had a real introduction. Not so very long ago we received a report from our agent in Bucharest enclosing a newspaper clipping commenting on the excellent results secured by the Bucharest police when they used Federal tear gas to break up a riot in their city streets. This is another case where the police in a foreign country have been exceptionally well schooled and educated in the use and value of tear gas as both a defensive and offensive weapon for police use.

The world famous Royal Canadian Mounted Police use Federal tear gas to get their man. Note the attached fac simile copy of order which we received from them.

For the past three years we have been awarded the contract from our own Government covering their tear-gas requirements. The award was made to us after competitive tests proved conclusively the superiority of Federal gas, and notwithstanding the fact that in many cases our competitors' prices were lower than ours.

Enclosed is just a few testimonial letters on the usefulness and splendid work accomplished by tear gas. We have hundreds of such letters in our files. Additional ones can be sent to you if you want them.

We are confident that if given an opportunity we can perform a similar service to your good Government in meeting their many police problems. Don't hesitate to impress upon them the importance of handling their riots and disturbances in a humane yet effective manner. Unquestionably this can best be accomplished with the use of tear gas in sufficient quantity to insure success.

Be sure to advise your customer that when they use gas to use plenty of it. We have found from experience that if the police try to disperse a mob with too little gas, their efforts will not be successful. To toss a couple of grenades and gas shells into a fighting mob could not be expected to control it. You have got to give them gas and plenty of it.

During recent months we have had renewed labor disturbances in various sections of the United States. Here's the way they met the situation: San Francisco purchased Federal tear gas to the extent of $30,000. Toledo, Ohio, used up $8,000 worth of gas; the Pittsburgh area (which, as you know, is the steel center of the world) purchased over $75,000 worth of gas (Federal) to protect their properties. Youngstown, Ohio, another steel center, bought Federal gas to the amount of $25,000.

You can readily see they are prepared to meet any emergency that might arise, and when the trouble strikes they will be able to give them plenty of gas. They have found from experience that it is much better to prepare before the strike than to spend hundreds of thousands of dollars rebuilding plants, etc.

Our military equipment, such as airplane bombs, smoke screens, portable chemical cylinders, etc., are all of the very latest design and incorporate the finest workmanship and material that it is possible to secure.

We are contractors to 17 foreign governments on this type of equipment. Many repeat orders have been received from these customers. This shows that they are satisfied with the materials they purchased from us.

We guarantee our products to give absolute satisfaction, and you may assure your Government officials in any negotiations you have with them that we stand back of our products at all times to give satisfactory performance.

Along with this letter we are sending you copy of our latest catalogue, both on military and police equipment. We shall be very glad to send you additional literature if you want it.

It is our desire to cooperate with you in every way possible to help you in your negotiations for new business. Won't you please acknowledge this letter and let us have a report as to your activities during the past few months, and more particularly what prospects are for the immediate future?

Very sincerely yours,

FEDERAL LABORATORIES, INC.,
G. OBERDICK.

EXHIBIT NO. 715

[Western Union Telegram]

GU75 26 DL, PITTSBURGH, PENN., 20 1128A.

1932, DEC. 20, a.m. 42

FRANK S. JONAS,
56 Pine St., CD, NYK:

Suggest you enlist Curtiss and United in opposing the President's proposed arms embargo to Congress which would throw this business to Europe. See you tomorrow.

YOUNG FEDERAL LABORATORIES, INC.

EXHIBIT NO. 716

NEW YORK, N.Y., *December 29, 1932.*

MR. YOUNG,
Federal Laboratories, Inc., Pittsburgh, Pa.

DEAR MR. YOUNG: Last night a friend of mine, who is in the Department of Commerce and who was formerly commercial attaché abroad, visited me and asked me if I was doing anything with Ecuador. He informed me that they were in the market for more or less the same list of stuff that you were mentioning last week and also told me that the purchasing would be done thru the Ecuadorian Minister in Panama.

About three weeks ago this same inquiry came to the State Department requesting them to sell them this lot of material, but the Government refused to accept the order. However, they did not object to them buying from the manufacturers in this country. This was my reason for telegraphing you last night.

I have read in the papers this morning that Persia was making their purchases in Germany and have placed several orders there. This only makes me more convinced than ever the order we spoke about last week has nothing to do with Persia.

Last night Mr. Netzker, of the National City Bank—whom I had asked in the morning to cable to their branch and find out just what has transpired as regards the Government meeting our drafts—he told me that he received a reply stating that there was every evidence the draft would be paid this week or early next week. This was my reason for telegraphing you last night, so that you would not take any other steps to make collection. Hoping that we will not be again disappointed, I remain,

Yours very truly,

F. S. JONAS.

FSJ : RL.

EXHIBIT NO. 717

E. H. PITCHER,
1010 Vermont Avenue NW.,
Washington, D.C., January 10, 1933

FEDERAL LABORATORIES, INC.,
Pittsburgh, Pa. :

The writer acknowledges receipt of your telegram of yesterday and to advise that so far as he has been able to learn, it would appear that the embargo on munitions is not being seriously considered at this time. The writer assumes that you know that the embargo in question was drafted by the State Department and is intended to keep U.S. munitions from Bolivia and Paraguay.

We have learned from what we consider a reliable source that the War Department objects to the original draft of the congressional resolution, empowering the President to put an embargo on shipments of U.S. arms to warring countries, holding that it would be unfair to bar American manufacturers of arms and munitions from warring nations when these markets still will remain open to foreign countries.

E. H. PITCHER.

Copy to Frank S. Jonas, 56 Pine Street, New York, N.Y.
P–O'D

EXHIBIT NO. 718

APRIL 15, 1933.

Mr. R. E. SEDGLEY,
2311 North 16th Street, Philadelphia, Pa.

DEAR MR. SEDGLEY: For your information, Arica, Chile, is a free port. Enough said.

Re Cutts Compensator, I spoke to Young, and he states he is compelled to bill you at $25, but will refund you 15%.

Yours very truly,

F. S. JONAS.

FSJ : RJ

EXHIBIT NO. 719

FEDERAL LABORATORIES, INC.,
Pittsburgh, Pa., U.S.A., July 18, 1934.

Mr. FRANK S. JONAS,
277 Broadway, New York City, N.Y.
(Attention Mr. F. Busto.)

MY DEAR BUSTO: After reading over Watson Phillips' letter to you of July 9th a second time, it appears to me they are complicating matters somewhat.

The order originally specified shipment direct to the police department on basis of cash against shipping documents to be forwarded through bank.

Now they are requesting that we forward the equipment through their Tampico agent who will arrange to make collection of the money.

There is not a lot involved in this shipment, but I can't understand the change in the shipping instructions. I don't see how it is going to speed up clearance of the shipment in any way.

Will the Mexican consulate in New York pass the shipment consigned to Watson Phillips' agent in Tampico? In your letter to them of July 6th, you mentioned that the consulate stated he would be very glad to pass the shipment provided the material was consigned direct to the police department, but now that Watson Phillips want it cleared through their agent, I'm just wondering if you will be able to get clearance.

Please let us have your further comments and instructions on this so that we know where we stand before we get the equipment off to International Forwarding Co.

Sincerely yours,

FEDERAL LABORATORIES, INC.,
(Signed) O. B. OBERDICK.

GO : MT.

EXHIBIT NO. 720

OCTOBER 20, 1933.

Mr. WALTER B. RYAN, Jr.,
President Auto-Ordnance Corporation,
56 Pine Street, New York, N.Y.

MY DEAR MR. RYAN: Following our phone conversation today, I think we should give very serious thought as to how far we want to bind ourselves to the Department of Justice on the individual sale of machine guns.

I have no fear from any of the present staff in Washington, but after all, that is a political organization and time might come when there may be some officeholder who may not be like-minded to the present staff, therefore, I think we should be careful in voluntarily giving too many rights which we now have.

Sincerely yours,

FEDERAL LABORATORIES, INC.,
——— ———, *President.*

JWY: GO.

EXHIBIT NO. 721

AUGUST 8TH, 1933.

Re competition.

MR. WALTER B. RYAN, JR.,
President Auto Ordnance Corporation,
56 Pine Street, New York, N.Y.

MY DEAR MR. RYAN: We seem to have some new competition facing us in the Schmeisser machine pistol, a Belgian development, which happens to be an improvement upon the Bergmann submachine gun.

The Schmeisser gun was first called to my attention in a mail-order catalogue by W. S. Darley Company. It was next called to my attention by Lieut. Cutts, who said he was offered the American rights. It has also been brought to my attention by our Mr. Stone in Paris. I am enclosing a copy of Mr. Stone's letter to us, which will necessitate some reply.

I have examined one of these guns which Lieut. Cutts has. It appears to be smaller and simpler than the Thompson. It can be sold in the United States cheaper than the Thompson, and it gives me some concern if it should come on the market.

Inasmuch as you were away, I took the responsibility upon myself to go before the Attorney General with the suggestion that an embargo be placed by the President upon the importation of all submachine guns in the United States, pointing out that this action would be necessary if they hoped to make any progress in their drive against crime. The suggestion was well received and is being passed on to President Roosevelt this week.

Assuming the President will take the requested action, we have only to consider then the matter of American manufacture under patent rights. Harrington & Richardson or Sedgley may take some such rights and develop competition for us on a price basis that would prove embarrassing. Do you wish me to secure from Mr. Stone proposed price for license under the patent, or have you any other suggestions?

Very sincerely yours,

FEDERAL LABORATORIES, INC.,
——— ———, *President.*

JWY: GO

("Exhibit No. 722" appears in text on p. 1777.)

EXHIBIT NO. 723

FEBRUARY 9, 1932.

OKURA & COMPANY,
30 Church Street, New York, N.Y.
(Attention Mr. I. Koizumi.)

DEAR MR. KOIZUMI: I was very pleased to receive your letter of February 4th and to learn that the Japanese Navy intend to purchase some of our products on or before March 31st.

Regarding Captain Hiracka's request for all patent numbers of our products, I should be very glad to accomodate him, but I am not just sure that I can give him what he wants. If he is desirous of securing more complete information about the equipment we have offered to you in our proposal, I am afraid these patents will be very incomplete, for the most valuable part of the equipment which we have offered to you is still in the patent office and patents have not yet been issued. In fact, they will not be issued for some time to come, as we propose to keep these processes secret as long as we can.

While we have some twenty-five of the patents already issued in the United States, I would prefer not to give you these patent numbers until we can handle the entire deal, as it might prove to be confusing.

We wish to turn over to you not only the patents and the right to them in Japan for issuance there, but also the formulas, manufacturing process, detailed manufacturing specifications and detailed instructions in their use.

This information is all so closely knit together, we wish you would discourage any attempt or desire to break up our proposal in smaller units. We desire to get you thoroughly started on the right track and have offered you terms that will enable you to do this at an extremely small cost compared to the importance of the subject and the volume of information and material which we will turn over to you.

Due to the impending possibility of Federal embargo on such materials, I trust you will be able to secure authority from Tokio to proceed with the transaction at an early date; otherwise, this authority might be received too late and I would be requested by the State Department to hold up the transaction. I dislike to hurry you, but believe it expedient to close the deal as soon as possible and I will come to New York any time you are ready to discuss the matter further.

Yours truly,

FEDERAL LABORATORIES, INC.,
——— ———, *President.*

JWY: AEH.

EXHIBIT NO. 724

AUGUST 26, 1933.

Mr. WALTER B. RYAN, Jr.,
President Auto-Ordnance Corporation,
56 Pine Street, New York, N.Y.

MY DEAR MR. RYAN: Referring to our conversation of yesterday, wish to advise that it will be agreeable for you to put a man to work soliciting the U.S. Government for a prospective order for 3,000 Thompson submachine guns, paying him a commission of 5%, one-half of which would be deducted from our regular commission.

I believe we should thoroughly investigate such a man before turning him loose to represent us with the Government, however, and I suggest you carefully check his credentials and references to determine the correctness of his claims.

I feel it is desirable to have a man work and concentrate on an order the size he mentions, but we want to be sure we have the right man. I should also like to follow through on this personally and be posted on the detail of negotiations. I am planning to go to Washington immediately following our sales conference and can look into the matter while there.

I presume it is unnecessary to mention that specific limitations should be attached to any agreement on this negotiation.

Very sincerely yours,

FEDERAL LABORATORIES, INC.,
——— ———, *President.*

JWY: GO

EXHIBIT NO. 725

LEON & BONASEGNA,
Buenos Aires, November 21st, 1932.

Mr. FRANK S. JONAS,
56 Pine Street, New York City.

DEAR FRANK: I have just finished having an interview with Francis Love of the United Aircraft, and while it is true that for several reasons he finds it prudent not to make any arrangements with us, due principally to the fact that both the Army and Navy have always purchased direct and do not care on this class of equipment to work through an agent, still my interview with Love has been very fruitful, as he has given me a lot of information by word of mouth that perhaps you could not have written or would not have cared to write.

He has given me all the inside information not only regarding your troubles with the Federal, but also what kind of an outfit they are. He has further given me a lengthy word picture of what the Lake Erie crowd amount to. Last but not least, he tells me that you are undecided as to the advisability of taking on the Lake Erie and throwing down the Federal.

From what Love tells me the Federal outfit do not seem to be straight shooters; of course, he has told me this confidentially. He further advised me just how and who make up their products. From the information that he gave me I gather that the profit on all this material is enormous, and that all that Young says in his letters regarding their being no profit in it for him is pure "bologna." If this is true, then my opinion that we were getting bilked when we were advised that only 10% commissions would be paid on the police business, but confirms what my personal opinion was.

Unfortunately we have done our work too well for the Federal Laboratories, as the trade mark "Federal" is firmly entrenched, and the police, not only of this city but also of the provinces, will not even look at Lake Erie. The proof of this is that they even refuse to see the samples which the Williams Chemical Co. brought down. Just for your private information, we have seen the contract between the Williams Chemical Co. and the Lake Erie, where they pay them 40% on some products and 50% on others.

We have done, and are doing, a lot of work for the Federal. At present I have before me an order ad referendum for one of the provinces for approximately $2,500.00, which should be closed this week. I have several other businesses on the pan, and it does not seem fair to me that we should continue working as intensively as we have on the outlook for future business that will repay for the spade work, if we are not going to get a fair shake, and I would like to have you tell Young just exactly how I feel about the entire proposition. If it is true that we have been able to introduce Federal material in this country, we can just as easily kill it and work some other line. The agent for the German Bergman machine gun, as well as the exclusive representative for a large German gas factory, which makes a similar line to the Federal or Lake Erie, have been after us for six months or more to drop our American line and take on the German one. He can do nothing with it but he knows we can. We want to play fair with you and we want to play fair with the factories we represent through you, but we also want fair play from you.

Among other things we talked about, Love confirmed what our agent in Bolivia wrote us about last week, and which is that the Federal Laboratories, through Grace, had sold Federal Laboratory material to the Bolivian Government. We are giving you this information in case you do not know it, in order that you may claim from Young the value of our commission. There is no reason in the world why we should have worked for a solid year, made a trip to Bolivia, and did all the initial work, if we are not to profit by the business once it is consummated. It is very important that you look into this matter, as it is something that interests both you and ourselves, not only from a standpoint of dollars and cents, but from a standpoint of business policy. If this has actually happened, then with the same judgment, if the Argentine Army were to order direct from the Federal Laboratories tomorrow, we would be cut out of our commission.

I wish you would write me plainly and explicitly with respect to the entire proposition, as your reply to this letter will serve as a base for the work which we are now doing and contemplating doing. We are working on two big deals, one in Uruguay and one in the Province of Buenos Aires, and it would be suicide for us to continue the work, compromising ourselves to certain commission arrangements, if we are not to be fully protected.

It is unfortunate that I cannot go to the States at this time and take this matter up with you and Young, as I am sure that with a personal interview, and with your assistance, that we could thresh the thing out and come to something tangible once and for all. It seems that every time we write the Federal Laboratories on a matter of business policy, that they always shoot from some different angle and never come down to anything concrete, which is absolutely necessary in all business arrangements.

I am writing you this in a personal way as I want you to feel that this letter is from me to you, not from our firm, and that you can use same as you see fit.

With best and kindest regards, I am,

Sincerely yours,

(Signed) RAOUL LEON.

RL: GHS

("Exhibit No. 726" appears in text on p. 1784.)

EXHIBIT NO. 727

#1. CC–Sedgley

MARCH 12, 1934.

MR. D. HADJOPOULOS,
24 Stone Street, New York, N.Y.

DEAR MR. HADJOPOULOS: In accordance with telephone conversation, I am enclosing photograph of the Marlin machine gun, which can be supplied by Mr. Sedgley, of Philadelphia. I also confirm information which I gave you on this subject.

These guns have never been fired. At the close of the World War the U.S. Army, as you can well imagine, had tremendous quantities of newly manufactured equipment of all kinds in preparation for shipment to Europe. These guns are part of this supply that was never used. In accordance with the standard practice of the U.S. Government, any ordnance material is always put out of commission before being sold publicly. In this case the barrels were ruined, but in other respects the guns were intact. Mr. Sedgley has equipped these guns with brand new barrels and they are in every sense the equal of a new weapon.

Mr. Sedgley enjoys a very excellent reputation as a gunsmith, and, as I told you, he is always not only willing but desirous of selling his merchandise subject to test and inspection by the buyer or any designated authority.

If I can serve you in any way in this matter, I should be only too happy if you would call on me.

Yours very truly,

C. W. RICH.

CWR/fb

EXHIBIT NO. 728

[Translation]

MARTINS & CIA.,
Porto Alegre, June 21, 1932.

MR. FRANK S. JONAS,
312 Broadway, New York.

DEAR SIR AND FRIEND: Your letter of April 28th received and we take pleasure in replying as follows: John C. Long & Co. of Rio de Janeiro has informed us of an article published in the "Diario de Noticias" of Rio which shows that the Government of Rio Grande do Sul wishes to acquire a certain quantity of munitions and thus we went to the military commander who told us that the Government does not propose to buy munitions. We also went to the palace where we were informed that the article in the Diario de Noticias was not exact and that the Government was not interested now in buying munitions.

Thus I would add the following: Before the outbreak of the revolution in 1930 there was here a salesman of a Canadian factory trying to negotiate with the Government of this State and really sold them a large order of munitions, which was delivered much later, that is, when the revolution was already ended. These munitions were destined for the revolution but negotiations were carried on in such secrecy that even the commander of the military brigade knew nothing of the matter. As for myself I did not think that the revolution would arise and that if it did the Government would suppress it. This purchase of munitions was made on the basis that payment should be made when the revolution was successful, therefore I do not believe that Winchester comes into the question as the sales agent because Winchester does not do business that way without guarantees.

Business with the Government is at present very doubtful and payments will be very much delayed. If anything should arise I shall let you know. I have asked them if we may submit bids when they are again in the market for munitions and at that time I think the Government will limit itself to Winchester or Federal Laboratories and deal directly with them, preserving for us the usual commission. If the Government should shortly decide to buy war materials preference will be given to that company which will give credits because the financial troubles of the Government will not permit it to buy otherwise. I wrote to John C. Long & Co. asking that they send us the latest catalogs in Portuguese on Winchester, in order that we may give them to the Government. * * * Winchester cartridges, caliber .22. We are sorry to say that Winchester cartridges, caliber .22 short, long, long rifle, and .22 automatic have been for some years practically useless because of their very low quality. An enormous percentage of the cartridges do not fire, so that it is impossible now to sell the .22 here. Some time ago we wrote about this matter to Winchester and also to John C. Long & Co. and thus far we have had no reply. These cartridges were imported into Rio de Janeiro and spread throughout the entire country. You can imagine, my friend, what a bad impression this created, and it seems to me that it is high time that Winchester should take some action in straightening out this matter. If new business develops I shall see the Minister of War about it.

For the present I offer you my kind regards,

Very truly yours,

(Sgd.) MARTINS & CIA.

H/CL

EXHIBIT NO. 729

JULY 12, 1932.

MR. KENDRICK VAN PELT,
Caixa Postal 2737, Sao Paulo, Brazil.

MY DEAR VAN: Enclosed please find copy of a letter I have today written to Barata. Please find what it is all about, and if you effect the sale we split the commissions.

I am also enclosing copy of a letter to Martins, my agents in Para, so you can see that he will have to be protected with 5%.

From the news in the papers in the last few days I was sure I would be receiving cables from you for all kinds of war materials. According to the New York Times the lid is off in Brazil, so get busy and see if you cannot stir up something.

Yours sincerely,

F. S. JONAS.

FSJ: RL
Encls.

P.S.—Please give Barata a Thompson gun catalog.

EXHIBIT NO. 730

NEW YORK, *August 4, 1932.*

FEDERAL LABORATORIES, INC.,
Pittsburgh, Pa.

GENTLEMEN: I received the following cable from Edmundo Machado & Co. in Rio de Janeiro, reading as follows:

"Reply urgently if possible to ship on the *Western World* at the lowest price 300 Federal tear-gas grenades. Payment cash against delivery of documents in New York. German competitors offering similar articles", to which I replied: "Six dollars sixty cents of 500 purchased 10 percent less."

Yesterday afternoon I telephoned Mr. Machado in Rio de Janeiro and he insisted on the 30% discount to which I agreed as I note you allow an extra 10% in lots of 100. He told me he was opening credit in the Guaranty Trust Co. and that he had arranged the license for shipment, which had been cabled to the Brazilian consulate in New York. Upon my arrival in the office this morning I found the following telegram from him:

"Competitors offering similar article at a lower price reply immediately minimum prime. Stop. Probably will obtain a new order shortly."

I then visited the Brazilian consulate and found that the license had been cabled permitting the shipment of 300 Federal gas grenades. I then visited the Guaranty Trust Co. with reference to the credit, but found that no credit has yet been opened.

I then cabled Edmundo Machado as follows:

"Competitor offering liquid instead of crystal type gas our exclusive patent cannot leak guaranty to stand tropical climate. Stop. Treasury and other departments use Federal exclusively. Stop. Maximum discount allowable 30% on grenades. Stop. Goods in transit from Pgh. for S.S. *Western World.* Stop. Consul has permit but Guaranty Trust informed credit unopened; reply immediately what about Thompsos guns and cartridges."

At 1:26 p.m. I received the following rush cable from him: "Reply immediately."

It is now 6:30 p.m. and I have not heard anything further. I sincerely hope that Lake Erie has not gone ahead and cut prices to such an extent that we cannot compete. If I receive a cable in the morning I will telegraph you.

I do not intend to let the goods go forward unless I receive a check in advance and have instructed Mr. DeMay to hold the shipment until he hears from me.

Mr. Love is contacting with the Paraguayan Embassy for airplanes and so is Curtiss-Wright. They both stated that they intended to see what they can do with them on bombs, so I did not interfere. I intended to work both these prospects when I go to Washington next Tuesday.

Mr. Antenor Veiga arrives by plane next Sunday evening from Rio Janeiro. He is the partner of Mayrink Veiga who appears to be doing all the buying for the Brazilian Government. Mr. Love has asked me to meet Mr. Veiga at the airport with him when he arrives. I am a very old friend of Mr. Veiga's and I am sure if there is any business I will get it.

Mr. Love told me today that Colonel Goss had some one at the National City Bank (one of the big officials), ask him to give Goss an interview and I believe it is set for next Monday or Tuesday. Love, however, assured me that he did not intend to have Goss experiment on him, if he has not built airplane equipment, smoke screens, and bombs. He has promised not to place any orders until he takes the matter up with me.

Yours very truly,

F. S. JONAS.

EXHIBIT NO. 731

ROOM 1702, 21 WEST STREET,
New York, N.Y., August 4, 1932.

Mr. E. H. PITCHER,
1010 Vermont Ave., Washington, D.C.

DEAR MR. PITCHER: Thanks for your letter of August 3rd. I again called at the Paraguayan consulate but could not learn where Mr. Ynsfran could be located. I therefore telephoned the Paraguayan embassy in Washington and was told that he would not be there until tomorrow.

Owing to a shipment I have leaving for Brazil on Saturday and on which it was necessary for me to attend to the presentation of the drafts, etc., at the bank tomorrow, it will be impossible for me to come to Washington, so I intend telephoning Mr. Ynsfran and will endeavor to make an appointment for some other day.

I received the following telegram from P.G.H. today: "Have inquiry Bolivian legation Washington also letter from Leon & Bonasegna regarding Paraguayan inquiry. Stop. Advise where you want copies mailed."

To which I replied: "Please send copies Bolivian inquiry and Leon's letter to me here in New York. Also duplicate copies to Mr. Pitcher."

Will appreciate it if you will wire me collect tomorrow what you can ascertain as to the urgency of their inquiry and the necessity for my coming to Washington or deferring my trip until next Tuesday.

With regards, I am

Yours truly,

F. S. JONAS.

EXHIBIT NO. 732

AUGUST 17, 1932.

Mr. FRED TREAT,
1325 East Speedway,
Tucson, Arizona.

DEAR FRED: I received your letter yesterday regarding the loss of the books and also one this morning stating that you had received the records.

Fortunately, I have a receipt from the express company valuing the books at $30, so I am today putting in a claim and as soon as I collect this amount I will remit to you. I am certainly sorry that these books were never delivered to you as I am sure you would have enjoyed reading them.

I am busy as hell on the Brazilian revolution and Paraguay and Bolivian situation and I am bidding on a great many things. If I am successful in closing half of all the business I am working on I will be able to pay off my debts and have a few dollars left over. This is all I want; in other words I want to start even again.

Grace has been away in Maine for a couple of weeks' vacation and came back looking fine. Yours truly has not had time to go any place, but if I make any money within the next few weeks don't be surprised to see me coming out to Tucson to visit you, and, in that event, I will bring a couple of books along to help me in my work.

With regards and the very best of wishes, I am,

Yours very sincerely,

——— ———.

P.S.—Pardon the brevity, but honest old dear, I am so busy as a proverbial cat.

FSJ : RL

Exhibit No. 733

[Confidential]

New York, N.Y., *August 24, 1932.*

Mr. Young,
Federal Laboratories Inc., Pittsburgh, Pa.

Dear Mr. Young: I just heard from my friend at the Guaranty Trust Co. on the telephone and he told me that while an irrecovable letter of credit had been opened it had not been guaranteed by a New York bank, so the conditions remain unchanged.

It appears that Mayrink and Love were getting very nervous about this, and they are certainly keeping the wires hot trying to arrange finances.

The other side has actually placed orders for airplanes and other credits have been opened but no orders placed as yet. Negotiations, however, are pending. Please destroy this letter after reading it.

Yours very truly,

F. S. Jonas.

FSJ : RL.

Exhibit No. 734

August 24th, 1932.

Dr. Edward D. Feldman,
80 West 40th Street, New York, N.Y.

My Dear Dr. Feldman: Replying to your letter of August 17th, relative to Mr. Jonas.

He has been working day and night on certain deals pertaining to the revolution in South America and I am sure this is the real reason he has been unable to see you.

I explained to him when I was last in New York about Mr. Wright.

I had a delightful time on my vacation what little opportunity I had to be away and feel very much better as a result.

Very sincerely yours,

Federal Laboratories, Inc.,
——— ———, *President.*

Exhibit No. 735

New York, New York, *August 25, 1932.*

Mr. John W. Young,
Federal Laboratories, Inc., Pittsburgh, Pa.

My Dear Mr. Young: I was advised today to call on United Aircraft, and although our prices on the Brazilian order were approximately $1,100.00 high, I was given this order purely at the request of Mr. Mayrink Veiga, and I was very fortunate he was here or we would have lost. This order is being prepared and will be given to me on Monday. The prices quoted were as follows:

100 25-lb. fragmentation bombs, loaded	$34.50	plus	70 cents	freight.
100 25-lb. " " empty	20.50	"	36 "	"
150 25-lb. demolition bombs, loaded	33.50	"	70 "	"
150 25-lb. " " empty	19.50	"	36 "	"
200 120-lb. " " loaded	67.00	"	$3.37	"
200 120-lb. " " empty	26.00	"	$1.66	"
5,000 hand grenades	2.00 each net.			

On the 12th of August you wrote to United Aircraft as per attached letter quoting the attached prices for the smaller quantities, but with these prices we were entirely out of line. This I happen to know is an absolute fact and can give you the proof on your arrival in New York.

The Peruvian order which I am sending tomorrow is taken at the prices you gave me over the telephone and on this order we are approximately $250 high.

If you will accept my advice, I would advise you to allow this difference on both these orders, because I will have an opportunity next week of quoting on over $200,000 worth of material, and I believe the question will be raised, unless you agree to this allowance. If you are coming to New York next week, which is not necessary, make it Monday or Tuesday, as there are one or two things coming up on which you can be of assistance. However, I do not want you to make any special trip for my account. Will telegraph you if I find it absolutely necessary for you to come.

It's no use going into details on the amount of work I have put in on these orders, but it is sufficient to say I am glad the deal is over.

I heard today from a man who happened to be in Cowdry's office that the Atlas Powder Company had received a large order from Bolivia for bombs. I am trying to check the story and see whether it is true or not. Please see what you can do in this direction. I called W. R. Grace & Co. regarding this matter and they do not believe it is true, as they are also working on an order for bombs with Bolivia and waiting a reply at any moment.

Yours very truly,

F. S. JONAS.

EXHIBIT NO. 736

FEDERAL LABORATORIES, INC.,
Pittsburgh, Pa., U.S.A., August 26, 1932.

MR. FRANK S. JONAS,
% Export Consolidated Companies,
21 West Street, New York, N.Y.

MY DEAR FRANK: This acknowledges your letter of August 25th, giving us a copy of the United Aircraft order for Brazil. I appreciate the advance information on this order, as it gives us an opportunity to get production all scheduled, and if you will send us a telegram when the signed order is put in your hands, all we will have to do is to release word, and our entire organization will be functioning 100% to expedite shipment. I believe if we could get this shipment out in record time, it will help our chances on future business, and we are going to show you some good work along this line.

We have no record here of what commission you are to receive on the new price of $2.00 for hand grenades, but presume you are expecting 10¢, which will be applicable in this case.

It is interesting to know that we were only 2½% higher than Lake Erie. Considering the fact that that they do not have a commission similar to yours to pay, we are in reality 2½% lower than they are in our factory price, and I am quite sure we are going to be considerably ahead of them in actual delivery dates.

On the Peruvian order, I think, we are probably holding about the same relation in regard to price.

Your suggestion that we refund $1,100.00 is well taken in view of the larger order that is pending. It is much easier to make the suggestion, however, than do it. If I come to New York next week, it will be primarily to work with you, and it will probably be on Tuesday, as I am supposed to be at a bank directors' meeting, 3:00 p.m. Monday afternoon at the Citizens Banking Co., leaving here about 2:00 p.m. Saturday afternoon.

I have been going over our cost figures once more, and, frankly, to pass along the $1,100.00 you suggest would take most of the attractiveness out of this order. As it now sets up, even with what Love passes along, United Aircraft is making more than anybody else.

When it comes to the order for $200,000.00 worth of material, I think we can consider a discount of 2½% or possibly, under extremity, 5%, because we will have the other two orders already on our books, and they will be carrying the bulk of our overhead, and I am willing to pass this advantage along.

This is your opportunity, Frank, and I think it is our opportunity, and if United Aircraft are trying to squeeze us down that we have to supply this material merely as a fill-in, so that after we are all washed up we just made expenses, then I think we had better plan to do our business direct in the future. I especially want to see you get enough out of this opportunity to get on your feet with a comfortable bank balance so that you can travel as you want.

I seriously question the Atlas Powder order for Bolivia. I think this is just talk. I have made inquiries, and they seem to know nothing about it.

I know you get a great deal of satisfaction out of taking an order on some other basis than being the lowest bidder. I think, when the situation is all washed up, that Frank Jonas will have taken the full lion's share of all the business.

Sincerely yours,

FEDERAL LABORATORIES, INC.,
JOHN W. YOUNG, *President.*

JWY: GO.

EXHIBIT NO. 737

MANUFACTURERS EXPORT COMPANY,
47–49 West Street, New York, U.S.A., August 31, 1932.

Cable address: "Figuerola."
Dept.: Ordnance.

MR. FRANK A. JONAS,
21 West Street, New York City.

DEAR SIR: In accordance with your verbal request, we take pleasure to submit the following information:

We offer, subject to prior sale:

50,000 Mauser infantry-type rifles, each complete with strap, sheath, and bayonet	$18.50
These arms are perfect and as good as new. Caliber, 7 M/M; model, 98 and 1926. Delivery within 4 weeks.	
15,000,000 7 M/M cartridges for the above rifles, at, per M	16.50
This ammunition is in stock and was manufactured in 1918 and 1924. Perfect order. Delivery within 4 weeks.	
5,000,000 7 M/M cartridges for the above rifles, at, per M	17.50
Delivery within 4 weeks. This ammunition is in stock, in perfect condition, manufactured in 1919–1924.	
7 M/M cartridges of new manufacture, at, per M	23.50
Delivery at the rate of 2 million per month. After the second month, 3 million per month.	
36 Schneider light field guns, model 97, caliber 75 mm., complete, with perfect condition and as good as new. The equipment includes carriage, limber, sights, optical instruments, and ammunition carriage. Price, per each unit, f.o.b. European port	7,500.00
20,000 shells, complete with ignition, at	15.00
60 antiaircraft machine guns, cal. 40 mm., model 1/39, latest model 930; new and ready for delivery. Price, per unit	14,500.00
50,000 shots for the above (40 mm.) shells and shrapnel, at	17.00
50 Vickers-Terni, cal. 25, 4 mm. This is one of the latest war machine guns. It can be used as field or antiaircraft machine gun. It is used for tank equipment. Length of the barrel, 762 mm.; total length of the gun, 1455; speed, 150 per minute; range, 2,800–3,000 meters. Price complete, per unit	1,830.00
20,000 grenades for the above Vickers-Terni machine gun 25, 4 mm., per 100	400.00
16 machine guns, cal. 20 mm.; type, L/50; model, 1929, with tripod, prism field glass, accessories, and spare parts. This is specially fitted against aircraft. Price, per unit (perfect, new)	5,100.00

Ammunition (any quantity), per 100 grenades, spelled "granates"	490.00
Ammunition (any quantity), per 100 light balls	468.00
30 75-mm. Krupp field guns, model 95 L/24; cal., 75 mm. Each battery consists of 6 guns and includes 100 shrapnels per battery. Price, per battery	90,000.00
All this equipment is perfect and is delivered in the original Krupp equipment, which consist of :-6 guns, 1 spare gun carriage, 7 limbers, 17 ammunition cars, 1 field forge, 1 battery car.	
20 mountain batteries, complete, Krupp 75-mm. guns, model 96 L/13. Each battery consists of 4 guns and the regular equipment, with 100 saddles, 200 ammunition boxes, and 400 shots (50% grenades and 50% shrapnels). Price, per complete battery, with ammunition	68,000.00
Additional ammunition for the above guns, at	24.50
200 Hotchkiss machine guns, light type, for 7-mm. cartridge, complete with two barrels, spare parts, and 88 straps for 50 cartridges each. Guaranteed to be in perfect condition, same as from the factory. Price, each	400.00

All the above equipment can be delivered very prompt from 4 to 6 weeks from date of the order and our acceptance.

Terms of payment: Irrevocable letter of credit, divisible and negotiable with expiration against shipping documents f.o.b. European port.

Very truly yours,

MANUFACTURERS EXPORT COMPANY,
(Signed) J. CUNILL DE FIGUEROLA.

("Exhibit No. 738" appears in text on p. 1800.)

EXHIBIT No. 739

SMITH & WESSON,
Springfield, Mass., September 7, 1932.

MR. FRANK S. JONAS,
4022 Two Hundred and Nineteenth Street,
Bayside, L.I., N.Y.

DEAR MR. JONAS: .38 M. & P. 6″ sq., $20.38 each.

The present merely confirms our conversation of yesterday, in which we told you that at the moment we have on hand about 2,500 .38 M & P, square butt, 6″, blue revolvers, which we offer at $20.38 net each, suitably packed for export, f.o.b. cars New York City.

During the return trip last night Capt. Beebe remarked that it might be well to approach Mr. Francis H. Love with quotations, owing to the fact that "money had been found to finance certain Brazilian shipments."

You will remember that we gave Mr. Love our regular prices several months ago and agreed to allow him a commission on such business that he could institute and finance.

If your remarks refer to Brazilian business, we hope that you will arrange to personally secure any orders that may be in the market so that you may enjoy the confidential 5%.

Of course, if the business is engineered through Mr. Love he will be inclined to demand some compensation.

Please give this matter your consideration and let us hear from you at your early convenience.

With best wishes, hoping that you will be successful in this venture, we remain

Yours very truly,

SMITH & WESSON, INC.,
(Signed) F. N. BUNGEY,
Export Division.

FNB: FR
CC sent c/o F. V. Huber

EXHIBIT No. 740

OCTOBER 13, 1932.

Mr. FRED TREST,
P.O. Box 2815, Tucson, Arizona.

MY DEAR FRED: I am still waiting a check from the Express Co. in payment of the books lost. I am again writing them today and are trying to make as quick a collection as possible.

I am waiting to hear from you with reference to the records and as soon as you let me know I will purchase some more for you.

I have been working about 24 hours day and I have done exceptionally well and if I only had the time I would come out and see you. I have a very interesting tale to tell you when we meet.

Grace has been on the "outs" most of the time as I have had to do a lot of entertaining, but she is O.K. again as I have shown her that it is lucrative business.

Have supplied all the bombs and a lot of other military equipment to most of the countries fighting in South America and if they keep it up much longer I will have no cause to complain. Let me know when you are coming East and I will meet you.

With regards and the best of wishes, I am,

Sincerely,

F. S. JONAS.

FSJ: RL

EXHIBIT No. 741

OCTOBER 27, 1933.

Mr. WALTER P. BROWN,
% Byington & Co., New York, N.Y.

DEAR BROWN: I received your check for $500.00, for which I thank you. I was glad to receive it as I felt it was according to agreement.

I am sailing for Rio tomorrow on the *Western World*, and would appreciate it if you would honor me with a visit at the steamer.

Yours sincerely,

FRANK S. JONAS.

FSJ/fb

(The following letter is written in longhand.)

OCTOBER 21.

DEAR FRANK: Since the night in 16 Street, when you accused me of not playing the game with you, I have never been able to understand your attitude. That fact that Figuerola did not play the game with you is no reason for you putting me in his class. I made myself believe that your action was just a sudden outburst, but evidently it was not.

When Byington came to New York you asked me how he was feeling and what his attitude was towards me, and I answered you by stating that he gave me 1,000 dollars, which was to let you know that I was still in good standing. I have no reason to believe that this money was given to me for my work in the revolution, as he has given me money from his own funds every trip he makes to the States for the work I do for him in taking care of his small securities here.

I am enclosing cancelled check so you may see it was from Byington's private account, and has nothing to do with Byington & Co. I know that you played 100% with me and I have with you, but I sincerely and honestly feel that this 1,000 dollars is not part of our deal. If I thought so I would have settled with you long ago. I am not making excuses, I am telling you what I believe. I always thought you had sufficient confidence in me to play the game with you, but the Figuerola deal made you very bitter, and you thought that no one was on the level. I can only say that I am willing to settle with you out of sportsmanship and nothing else.

With kind regards,

Sincerely,

(Sgd.) BROWN.

EXHIBIT NO. 742

(Pencil notation: "*Rich:* Writing you separate letter on the exchange of guns.)

JUNE 21, 1934.

Mr. FRANK S. JONAS,
% New York Office.

MY DEAR FRANK: Glad to get your letters of the 14th and 15th from Panama. I cabled you yesterday as per attached confirmation. Your letter regarding Huber's activities in Panama City is indeed interesting. I have written to Ryan a suggested letter to use in circularizing the Latin American countries to counteract such tactics as Huber is using.

I had an interesting conversation with the vice president of the Lake Erie Chemical Co. in Pittsburgh last week. I complained to him about Richardson's tactics and the tactics of some of their men here. He seemed to think it was smart. He stated one of his men, when asked recently by a police chief, "what about Federal and their products", spoke up and said, "I have never heard of the firm before. They must be a very small outfit or we would know about them." In another case the same representative of theirs replied to a police chief who wanted to know about the difference between the two products, stating there was no difference, that they made everything Federal sells, and it all goes into the same pockets; that if the chief bought from them he would get the same thing.

There is only one answer to competitive tactics such as this; that is, to be on the job and to demonstrate that they are liars in such a manner that they are out.

I predict that the chief of police of Panama City is through with them after such treatment.

I will keep you posted if anything further develops on the Bolivian situation. I am instructing Rich to offer to exchange a Thompson gun[1] to the chief of police of Panama for one of Lake Erie's guns.

Very sincerely yours,

FEDERAL LABORATORIES, INC.,
J. W. Y., *President.*

JWY: GO

P.S.—In my cable to you at Costa Rica I mentioned the name of Ricardo Ampie, Managua. Because this man has done a little selling for Auto-Ordnance, he has received quotations giving his 25% commission or discount, and unless you can get him lined up and disposed of or reappointed, it would be very unwise to have him footloose.

Walter Ryan won't be back from his vacation until the first of July, and I have only been able to make arrangements with Gray, but I feel confident I can put this deal across satisfactorily, particularly if you advise me you have taken care of this man.

J. W. Y.

EXHIBIT NO. 743

THE LAKE ERIE CHEMICAL COMPANY,
April 21st, 1932.

J. W. YOUNG,
Federal Laboratories, Inc., Pittsburgh, Pa.

DEAR SIRS: Mr. W. P. Abbey is back at the old trick of supplying new gas to the banks where Anakin made installation several years ago.

The procedure he followed here in Ohio was to take the Lewis-Hughes gas from one bank and sell it to the next bank as fresh goods and, at the same time, he claimed to make an inspection of the locks, which he is entirely incapable of doing. He would then take the Lewis-Hughes gas which he took out of the bank he had sold to the next bank and sell it as fresh goods.

---

[1](Ink notation: "Rich on even exchange 21-AC.")

Apparently, he is following this same procedure over in Indiana at the present time. On April 4th he replaced Lewis-Hughes gas in the First National Bank of Cayuga, Indiana, using a Federal Laboratories order blank, on which he marked "One complete vault gas reload, $13.00; salvage credit, $3.00; paid, $10.00." He has a shoe box full of Lewis-Hughes glass bottles, from which he extracts three bottles for the charge and hasn't even got sense enough to use a separate box to take away the salvage bottles, but mixes them right back in the ones he is installing, making it perfectly apparent to the banker that he is keeping up his supply by extracting the gas from one bank and selling it to another.

We want to know at once what your attitude is toward this swindle. We have one bank prepared to arrest him for obtaining money under false pretenses, but our own opinion is that the best thing we can do is to send out a general warning letter and, inasmuch as he is in your employ and using your order blanks, we will certainly let it be known that this swindler is working for the Federal Laboratories, and unless you stop him or help us to stop him we will let it be known that the swindle is perpetrated with your knowledge and consent.

I am enclosing a copy of a letter which we propose to send to all banks in any territory that could possibly be reached by Abbey, but we will withhold the sending of the letter until we hear from you, as this business may be going on without your knowledge.

Very truly yours,

Lake Erie Chemical Co.,
A. S. Ailes.

Exhibit No. 744

[Carbon copy]

August 9, 1933.

The Lake Erie Chemical Co.,
5806 Hough Avenue, Cleveland, Ohio.

Gentlemen: You have doubtless already read the enclosed clipping out of New York newspapers. Such editorials are not doing the industry any good.

On August 4th I was in Washington endeavoring to stop some proposed legislation against gas. The legislation being proposed would have, in my judgment, very unnecessarily handicapped the manufacturers. Most of the day's work was spoiled, however, by the account of the New York Stock Exchange experience in the afternoon paper.

We have for a long time frowned upon the sale of tear gas to sporting-goods stores. I notice you have continued to do it. Don't you think the little profit you gain from those sales would be very expensive to us both in the long run?

I have been waiting to hear from you as to a suitable time for our next meeting.

Yours very truly,

Federal Laboratories, Inc., President.

Exhibit No. 745

The Lake Erie Chemical Company,
December 8, 1933.

Mr. J. W. Young,
Federal Laboratories, Inc., Pittsburgh, Pa.

My Dear John: My understanding was that you were going to call somebody down at the Department of Justice and have permission granted for us to amend our bid offering 2% discount, the same as you and I further understood that you were going to notify me if you secured such permission.

That seems to be a more simple procedure than having the Bureau throw out the bids and readvertise. I do not see where the payment to us of 50¢ royalty would cure the situation.

We are primarily interested in getting an even chance with the Federal Laboratories at Government business, not so much for the business itself but to offset the advertising your agents are doing all over the country that the U.S. Government uses Federal Laboratory weapons and munitions exclusively.

The error having been made by the Federal Laboratories in direct variance with the written understanding, it looks to us like it is up to you to secure this permission for us to amend our bid.

Yours truly,

LAKE ERIE CHEMICAL CO.,
A. S. AILES.

EXHIBIT NO. 746

E. I. DU PONT DE NEMOURS & CO.,
Wilmington, Del., January 11, 1934.

Mr. JOHN W. YOUNG,
President Federal Laboratories, Inc.,
185 Forty-first Street, Pittsburgh, Pa.

MY DEAR JOHN: Thank you very much for your letter of the 9th inst. I arrived home safely, but six of the Black Label Johnny Walker whiskey bottles, which I purchased in Curacao, at $2.10 per bottle, were broken in my suitcase somewhere between the Pennsylvania Station and Wilmington. During my travels in South America, where opportunities for pilfering are myriad, I had the good fortune not to lose a bloody thing. It is rather unfortunate that in the States my bag should have been forced open and two bottles taken from it, letting the others so loosely packed that probably in heaving the bag from the baggage car to the platform, the remaining bottles were all broken.

I am very glad indeed to learn that your prices as given De Rossi are below the English and French quotations. I am very confident that should the Peruvians buy bombs they will get them from you through De Rossi. De Rossi is a damn good man; and if prices are at all competitive, he will obtain preference. Tobin has probably gone haywire on his quotation on 100-kilo bombs.

Regarding the report from Peru and Colombia on the performance of your bombs, the statements made to me by the heads of departments at the War Office concerning failures were probably due to sinister influences working against you at those offices, which influences can be very successfully combated by our agents in those countries. I do not know who your agent is in Colombia. I would suggest either Hernan Restrepo or Stuart Hosie or possibly Joaquin Samper. While these rumors were circulating in the War Department, naturally I evidenced great surprise and questioned the veracity of the statements, hinting that perhaps interested parties were trying to practice sabotage. Similar unfavorable reports were circulated about Remington and also about the Mauser rifle offered by Stuart Hosie. The whole matter smells to me very strongly of Czechoslovakian mud, and Hosie is trying to get at the bottom of the dirt. I am sure he will succeed.

I am sorry that I was so hasty with you at the pier upon arrival, and I hope you will give me an opportunity to talk to you more at length about the situation in South America very soon. I do not know exactly when I shall be in New York, possibly within two weeks. If you could possibly arrange to be in Wilmington before that, I shall be very glad to talk things over with you. It was very nice indeed for you to have taken the trouble to meet me in New York, and I assure you it is very much appreciated.

With kindest regards,

Cheerio,

N. E. BATES, Jr.

NEB: AKR

EXHIBIT NO. 747

CASILLA 137 QUITO, ECUADOR,
April 21, 1932.

MY DEAR JOHN: Since writing you last we have been in our Indian station in Agato, Otavalo. We had a week of joyful simple life. Our visit was a blessing to us and we have reason to believe it was also a blessing to Miss Brown and Miss Robel, the two brave girls stationed there. Six or eight Indians showed a desire to follow the Lord and we prayed with them. Some of them had made previous beginnings but had been pulled down by sin. Indian work needs a great deal of prayer.

Yesterday I saw the Minister of War again and made arrangements to demonstrate today. The Minister, two generals, the head of the police of Quito, and a number of officers and soldiers were present. I used the "Billy" first but I am sorry to say it did not prove a success. I shot it at two soldiers but they were able to stand the gas and get me. I then shot the grenade in a room and asked the men to go in. This was a real success and helped to gain what I had lost through the failure of the Billie.

Colonel Santor happened to be here on a visit and he witnessed the demonstration. I found out through his conversation with the Minister that he seemed secured some gas grenades (larger than yours and black) through the American brewer, Yoder. This no doubt is the reason he has been putting me off. It is more than likely that he got something out of it.

Before leaving the Minister asked me to give him the best price on 100 Billies and 200 grenades. I told him I would write you and have you send him quotations and terms direct. Address him Senor Don Leonardo Sotomayor Luna, Minestro de Guerra of Marina, Quito, Ecuador. Also send literature to Captain Virgilio Guerro, Intendente General, Quito, Ecuador. This fellow has been in the States and speaks English. He would appreciate any newspaper clippings, etc.

I have a letter from the Reed boys telling me that they are getting in touch with you. It may be best to have them as your agents from now on but I don't think they should come in for any of this first order as I——

NOTE.—Written in longhand and the third page is lost.

NM.

EXHIBIT No. 748

MAY 11, 1934.

Mr. ALEJANDRO TEXIDOR,
P.O. Box 2055, Havana, Cuba.

Letter no. 27

MY DEAR ALEJANDRO: Referring to your letter no. 18 relative to Thompson submachine guns, wish to advise that we do not agree with your interpretation that the letter of credit only covers 20 armoured cars. The 10 armoured sedans you will notice call for equipment in each of these sedans, and part of this equipment is made up of the Thompson guns. It was this partial shipment that we made that caused the trouble and which evidently has given Richardson his tip to quote the Thompson at $175.

Four or five years ago it was possible for men like Richardson to get quotations on these guns and they sold them here and there as they could. This proved to be a very unsatisfactory method, however, and two years ago the distribution of this gun was turned over to us. Richardson still thinks he can play with the gun, and this is really where we gain the advantage on him. If he has taken that order, he will not be able to fill it. The result will then be that he has embarrassed himself and will lose face with the Cuban officials.

Now, as to why we made this partial shipment. You were putting a great deal of pressure on us to get equipment down there for May Day. We were running our factory day and night to do it. I believe we would have done ourselves a great deal of harm had we allowed May Day to go by and not sent any equipment to Cuba.

On the other hand, you promised me that a letter of credit was being opened and would be available in New York before this shipment left New York City. I therefore felt we should make the shipment, and there wasn't anything left to do, really, but to bill it against the letter of credit. It was not until the goods had left on the boat that you advised me the letter of credit was not being opened; that you wanted to collect locally, and I wired New York office to have the bank release the letter of credit. They phoned back they had released the local papers in Havana to Mr. Frank Jonas, who shares the office and office staff with me and is very close to our business. I told them to mail the New York papers to you, so I presume both of you have each of your papers by this time.

The thing I want to point out briefly is this. We are going to a great volume of business together. This Company has the credit and are very glad to use it, and believe this is expressed in the present set-up. I shipped $9,000 down and again shipped $25,000 down and haven't received payment yet for either shipment, and this is contrary to arrangement we had made between us.

As these accounts amount to larger items I think it is very necessary that we adhere to a given plan, and feel the plan I left with you, and which you said was entirely agreeable, should be followed.

The thing I like about you is that you are a scrapper, and I don't mind a little excitement myself at times. If we are going to do as much business as you and I think we are going to do there is going to be considerable scrapping, and I will do all I can to work in a way that whips competition.

As evidence of this I just talked with Walter Ryan, president of the Auto-Ordnance Corporation, which company owns the Thompson submachine gun. He has promised to send you a cable today advising you that we are the exclusive distributors of this gun and orders from any other people would not be filled. That should stop our friend Richardson.

Please do not be surprised at the tactics of these people. They have pulled that same stunt on a number of police departments in the States. Had our orders for Thompsons canceled. At first I was very resentful over such competitive practice, but I am learning that this is to our advantage, for those people are unable to fill the order. The police chief gets peeved over the delay they have caused him and comes to disbelieve everything they say.

You have a copy of their catalogue you tell me, and if you know anything about Army ethics you will know that they are violating most everything that is sacred to an army officer when they printed this catalogue. Their opening paragraph virtually offers to sell the engineering developments of the U.S. War Department to any foreign country. They take their name, U.S. Ordnance Engineers for the purpose of misleading the customers, making them think they are connected with the U.S. Ordnance. They put their photographs in with army uniforms and with the U.S. insignia on the uniforms, something that is prohibited by the War Department. They take inter-department letters out of the army files and reprint them in advertising. They reproduce Government checks they have received in payment of their orders from the U.S. Government, a policy which heretofore, I have only known to be done by a "kike" Jew.

Reputable people do not have to produce Government checks to prove that they get Government business. Certainly the Cuban Government would not want me to reproduce their checks. They do not specify that the order they got from the U.S. Government was secured because they were low bidder on a competitive item in which a dozen manufacturers were able to quote, and that there are a thousand manufacturers that supply equipment to the Government that could do the same thing, but won't.

A further review of their catalogue will show that a large percent of their illustrations apart from their personal photographs deal with Government pictures and illustrations, and in reality their catalogue may be called the brain-child of an advertising man, and is not backed up by all the manufacturing facilities as they would have you believe was theirs.

The real truth back of this catalogue is that they had no plan of getting into the ordnance business until after Federal Laboratories released their catalogue. They then sat down to copy our catalogue and see what they could do to follow us in competition. This is a virtual admission from Colonel Goss, president of the U.S. Ordnance Engineers.

Colonel Goss styles himself as ex-chief of Chemical Warfare Service and then in small letters he puts down "Second Army, A.E.F." Those who understand what this means get a much different impression than the average unsuspecting person who goes away with the impression that he was ex-chief of the Chemical Warfare Service abroad.

Since getting their catalogues I understand why it has been so difficult for an American to get a copy of it, and I predict that there will be trouble ahead for them whenever the Army officials happen to get one of these catalogues.

Very sincerely yours,

FEDERAL LABORATORIES, INC.,
——— ———, *President.*

JWY:GO

(Exhibits Nos. 749 to 755, inclusive, are sales catalogs of Federal Laboratories and are on file with the committee.)

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MUNITIONS INDUSTRY

HEARINGS

BEFORE THE

SPECIAL COMMITTEE
INVESTIGATING THE MUNITIONS INDUSTRY
UNITED STATES SENATE

SEVENTY-THIRD CONGRESS

PURSUANT TO

S. Res. 206

A RESOLUTION TO MAKE CERTAIN INVESTIGATIONS
CONCERNING THE MANUFACTURE AND SALE
OF ARMS AND OTHER WAR MUNITIONS

PART 8

SEPTEMBER 20, 21, 1934

LAKE ERIE CHEMICAL CO.
AND
U. S. ORDNANCE ENGINEERS

Printed for the use of the
Special Committee Investigating the Munitions Industry

UNITED STATES
GOVERNMENT PRINTING OFFICE
83876 WASHINGTON : 1935

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AUG 13 1935

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SPECIAL COMMITTEE INVESTIGATING THE MUNITIONS INDUSTRY

GERALD P. NYE, North Dakota, *Chairman*

WALTER F. GEORGE, Georgia	ARTHUR H. VANDENBERG, Michigan
BENNETT CHAMP CLARK, Missouri	W. WARREN BARBOUR, New Jersey
HOMER T. BONE, Washington	
JAMES P. POPE, Idaho	

STEPHEN RAUSHENBUSH, *Secretary*

Charged to credit acct.
with Supt. of Documents

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INVESTIGATION OF MUNITIONS INDUSTRY

THURSDAY, SEPTEMBER 20, 1934

United States Senate,
Special Committee to Investigate
the Munitions Industry,
Washington, D. C.

The committee met, pursuant to call, at 10 a. m., in room 310, Senate Office Building, Senator Gerald P. Nye presiding.

Present: Senators Nye (chairman), George, Clark, Bone, Pope, and Barbour.

The Chairman. The committee will be in order.

TESTIMONY OF B. C. GOSS AND FERDINAND V. HUBER

CORPORATE STRUCTURE OF U.S. ORDNANCE ENGINEERS AND THE LAKE ERIE CHEMICAL CO.

The Chairman. Mr. Goss and Mr. Huber, you will come forward and be sworn.

(The witnesses were duly sworn by the chairman.)

The Chairman. Which one is Mr. Goss?

Mr. Goss. I am Mr. Goss.

The Chairman. Mr. Goss, and when you have finished Mr. Huber will follow with the same information. Just state your full name and residence address, your business, and business connections.

Mr. Goss. My name is B. C. Goss; business address, Lake Erie Chemical Co., 5806 Hough Avenue, Cleveland, Ohio; residence, 2936 Torrington Road. Was there anything more you wanted me to state?

The Chairman. No; that is sufficient for the present. Mr. Huber, you will do the same.

Mr. Huber. My name is Ferdinand V. Huber; business address, 21 West Street, New York City; home address, 3549 Seventy-sixth Street, Jackson Heights, Long Island, N.Y.

Senator Clark. Mr. Goss, you are president of the Lake Erie Chemical Co.?

Mr. Goss. Yes, sir; and also of the U.S. Ordnance Engineers, Inc.

Senator Clark. What is the connection between the Lake Erie Chemical Co. and the U.S. Ordnance Engineers, Inc.?

Mr. Goss. Would you like me to go a little further back, or is it sufficient just to explain the connection?

Senator Clark. Yes; I was going to have you go into that, anyway.

Mr. Goss. We started with what is called the "Lake Erie Glass Co." quite a number of years ago, and, following that, a couple of years later we incorporated the Lake Erie Chemical Co.

Senator Clark. When was that?

Mr. Goss. The Lake Erie Glass, I believe, was 1922, and the Lake Erie Chemical was about 2 years later, as I remember. Then about 1928, I should say, we bought out the Anakin Lock & Alarm Co., of Chicago, and the Protex Co., of Chicago, and they were all combined in the Lake Erie Chemical Co.

Then the next step was a little over a year ago when we incorporated this new company, the U.S. Ordnance Engineers, Inc., which is purely an export company to sell certain products of the Lake Erie Chemical Co., for which the name Lake Erie Chemical Co. had ceased to be suitable—purely munitions and such things as were not really chemical products.

Senator Clark. Machine guns, for instance?

Mr. Goss. No; not machine guns.

Senator Clark. I am coming into that later.

Mr. Goss. That will be fine. Is it permissible for me to make a suggestion?

Senator Clark. Let me ask a question first. Does the Lake Erie Chemical Co. own the stock of the U.S. Ordnance Engineers, Inc.?

Mr. Goss. No, sir; they do not; but there are substantially the same stockholders owning the stock with a few variations.

Senator Clark. In other words, it is an identity of stock ownership rather than ownership of the U.S. Ordnance Engineers by the Lake Erie Chemical Co.?

Mr. Goss. Yes, sir.

Senator Clark. Are the officers identical?

Mr. Goss. No, sir; they are not. I am president of both companies, but with that exception I think none of the other officers are the same.

Senator Clark. Are the offices located at the same place?

Mr. Goss. Yes, sir.

Senator Clark. Mr. Huber, what is your connection?

Mr. Huber. I am agent for the U.S. Ordnance Engineers.

Senator Clark. Your office is in New York?

Mr. Huber. Yes, sir.

Senator Clark. Now, Mr. Goss, what was your suggestion?

Mr. Goss. I have been here since Monday and have followed this thing carefully, and if it will be of help to the committee, I will be glad to make a statement that will answer in advance a lot of questions I know will be asked, unless you would rather ask the questions.

Senator Clark. We will get them out in time.

Mr. Goss. It will save time; that is all I thought.

Senator Clark. I have no objection to your making a statement.

Mr. Goss. I was going to outline our connection with Mr. Huber and the Export Consolidated Co.

Senator Clark. Suppose you do that. Is that Mr. Huber's company, the Export Consolidated Co.?

Mr. Goss. Yes. It is the one that has exclusive sale of our products, but we do not pay any of the expenses or anything of that sort, it being purely on a commission basis, like any other dealer would be.

Senator Clark. What territory does that agency include?

Mr. Goss. It includes all the export business, with the exception of China.

Senator Bone. For what company?

Mr. Goss. For the U.S. Ordnance Engineers, because the Lake Erie Chemical Co. does not sell anything for export, except that it is sold through the U.S. Ordnance Engineers, Inc.

Senator Bone. I understood you to say the U.S. Ordnance Engineers was purely an export company and handles the munitions for the Lake Erie Chemical Co.

Mr. Goss. That is right, and I say the Lake Erie Chemical Co. does not do any export business except through the U.S. Ordnance Engineers.

Senator Bone. Then that company farms its export business to the Export Consolidated Co.? Is that the way you arrange it?

Mr. Goss. That is right.

Senator Bone. What is the idea of farming it down through two or three companies?

Mr. Goss. No particular reason, except, as I explained, the Lake Erie name was not suitable for certain products that are not chemical in any sense of the word, and in order not to be handicapped in the sale of these we incorporated the new company, which is the Export Co., for such products as the Lake Erie makes for export.

Mr. Huber. It is really not the Export Consolidated that handles it for the U.S. Ordnance Engineers; it is my own private business. I handle it as F. V. Huber, for the U.S. Ordnance Engineers, and all of the business of the U.S. Ordnance Engineers is carried on under the name and on the stationery of the U.S. Ordnance Engineers.

Senator Clark. When was the U.S. Ordnance Engineers, Inc., formed?

Mr. Goss. About a year ago.

Mr. Huber. My contract with Lake Erie ceased in December, and we made a new contract with the U.S. Ordnance in January of this year.

Senator Clark. Now, Mr. Goss, would you describe the capital structure of the two companies?

Mr. Goss. Both companies have 999½ shares common stock outstanding.

Senator Clark. Does it have any par value?

Mr. Goss. No par.

Senator Clark. How much capital was actually paid in on either of these companies?

Mr. Goss. Back in 1922, $10,000.

Senator Clark. Was that cash or other assets?

Mr. Goss. Both.

Senator Clark. How much cash; do you remember?

Mr. Goss. No; I don't recall that.

Senator Clark. The capital was in the Lake Erie Glass Co.?

Mr. Goss. Yes; the Lake Erie Glass Co. was incorporated to manufacture colored enamel by a process I developed while I was with the General Electric Co.

Senator Clark. When that was transferred into the Lake Erie Chemical Co., what was the capital structure of that?

Mr. Goss. It was in stock.

Senator Clark. No new cash entered into the transaction?

Mr. Goss. No new cash, except by that time the Lake Erie Glass Co. had made some money.

Senator Clark. When the U.S. Ordnance Engineers was incorporated, what was paid in on that?

Mr. Goss. Well, we have missed a step in there. When we bought out the Anakin Lock & Alarm Co. and the Protex Corporation there was an additional $10,000 in cash put in, and in between that time and the time when the U.S. Ordnance Engineers was formed, there was another $20,000 cash put in. But when the U.S. Ordnance was formed there was no additional cash at that time.

Senator Clark. So that the U.S. Ordnance Engineers did not represent any cash at all.

Mr. Goss. No additional cash.

Senator Clark. Did they have any other assets except the contract with the Lake Erie Chemical Co.?

Mr. Goss. Yes. As I explained, the new company was for the purpose of furthering the export business, and a portion of the money and other assets of the Lake Erie Chemical Co. was transferred to the new company, as they would need some capital, and the amount of capital in the new company now is greater than that left in the Lake Erie Chemical Co.

Senator Clark. So that the stock in the U.S. Ordnance Engineers, Inc., was in the nature of a dividend from the Lake Erie Chemical Co.?

Mr. Goss. Yes; substantially that.

Senator Clark. No new assets came in to the U.S. Ordnance Engineers, Inc., except by transfer from the Chemical Co.?

Mr. Goss. That is right.

Senator Clark. For which the stockholders of the Lake Erie Chemical Co. took stock in the new company?

Mr. Goss. That is right.

Senator Clark. You say the stock of the new company is now greater than that of the old company; what is the stock of the new company?

Mr. Goss. Not the stock, the assets.

Senator Clark. I mean the capital, or the assets of the U.S. Ordnance Engineers, Inc.

Mr. Goss. As I recall it is divided about two-thirds to the new company and one-third to the Lake Erie, due to the fact the Lake Erie was a going business and did not need the capital. It is around $100,000 for the Ordnance and $50,000 in the Lake Erie.

SECRECY IN SHIPMENTS

Senator Clark. Now, Mr. Huber, I direct your attention to a letter dated February 24, 1933, which I offer in evidence under the appropriate number.

(The letter referred to was marked "Exhibit No. 756" and is included in the appendix on p. 2041.)

Senator Clark. I ask you, Mr. Huber, to look at this letter just offered in evidence and state what was the reason for goods going to

Colombia being marked "Siam." That is as far from Colombia as you can get?

Mr. HUBER. The consular agent of Columbia told me in the start when we started selling munitions that they did not want anything of this nature to get out, nobody was supposed to know they were buying anything, and, consequently, I advised the factory that any correspondence pertaining to this would be called Siam business.

Senator CLARK. Were the goods marked "Siam"?

Mr. HUBER. No; not when they were shipped; this is just correspondence between the factory and myself.

Senator CLARK. I notice in this letter you say [reading]:

> I was unsuccessful in contacting Commander Strong here, and delayed my advice to you until the last minute.

What were you trying to contact Commander Strong about—you were apparently not as successful in contacting him as your competitor, the Federal?

Mr. HUBER. This is February 1933 and I don't remember what was previous to that. It might have been something regarding specifications of the order.

Senator CLARK. Did you have any business dealings with Commander Strong?

Mr. HUBER. I think the colonel wrote me something about that, and said to contact Commander Strong and get the proper specifications.

Senator CLARK. Did you ever have any business dealings with Commander Strong, Colonel Goss?

Mr. GOSS. Yes.

Senator CLARK. Just tell us what that was.

Mr. GOSS. It was rather unfortunate for us.

Senator CLARK. Was that when he was in the United States Navy or the Colombian Navy, or both?

Mr. GOSS. Let me tell you the story of that.

Senator CLARK. Just go ahead.

Mr. GOSS. We had an inquiry from the consul general of Colombia one day for certain material, and instead of answering that by mail, I took it down to the consul general's office the next morning.

Senator CLARK. When was that, do you remember?

Mr. GOSS. No; I don't remember when.

Senator CLARK. Do you remember the year?

Mr. GOSS. It was 1933; I remember that. I started telling the consul about the virtues of our product, showing him the drawings, and so forth, and he told me this, now, wait a minute—I am not quoting him exactly, but just the approximate nature of the conversation—he said, "I don't know anything about this myself, but I have a man that is advising me on it, and I will not buy anything without his O.K." He said, "You better get in touch with him and talk to him about these specifications."

So I said, "That is fine. Who is this man?" He said, "It is Mr. Strong." I said, "Where is he?", and they tried to get him on the phone but were unsuccessful, and finally they gave me his telephone number in Philadelphia. I called that number and asked for him, and he was not there, and I left a message for him to call me. Later, when he came in he called me, and I introduced myself and asked him if I could come down there, to which he agreed. I went on to Philadelphia that same evening, getting there about 9 o'clock in the evening, and went out to his house and introduced myself and told him why I was there. We sat a couple of hours talking about these products, and I showed him figures and drawings, and he quizzed me about what I knew about aerial bombs. At the conclusion of this conversation he said, well, he thought he could get my office an order; and he said, "If I get it, can I get a commission on it." I had previously been told that they would not do anything without his O.K., so I did not see any reason why I could not give him a commission, and I asked him, "How much do you want?"

Senator CLARK. Who did you understand he was representing at that time?

Mr. GOSS. I did not understand anything, except I knew he was asked for advice. He did not say anything about what his relation was or what he was, and at that time I knew nothing about what he was or what his relations were to the consul.

Senator CLARK. Did you know at that time that Commander Strong was an officer of the United States Navy?

Mr. GOSS. No; I did not. So we agreed to give him 5 percent if he was successful in getting the order for us. We later got one very small order. I think it was two hundred 30-pound ring-type fragmentation bombs, on which we paid him his 5 percent.

I am not sure about the chronology of these things, but from time to time we got additional requests for quotations coming out from the same source, the Colombian consul.

The next time, I believe—I understood this arrangement with Strong was still in effect—but it happened that our competitor's bid was lower than ours. I do not know whether Mr. Strong was receiving anything from the competitors, but I expected to have his support in getting this business again if he was there, and I presumed that he would be. But their bid was considerably lower than ours, and we were offered half of the order at their price, and we said, "Much obliged, we are not interested in trading our dollars for yours"; that we did not want it at that price.

Somewhere along the line here I found out that he was being paid by the Federal or somebody, just as we were supposed to have been paying him a commission on any orders.

Senator CLARK. He was catching them going and coming, was he?

Mr. GOSS. Yes. I heard rumors that he was in the same relation to Driggs, Miranda, and others, so I said, "Nothing doing." That is the only time we have paid him, and that amount, I think, was $250.

Senator CLARK. Do you know in what connection it was you told Mr. Huber to contact Strong, and Huber reported on the 28th day of February that he could not reach him?

Mr. HUBER. That was on specifications, and I think we can show that.

Senator CLARK. Then this letter, "Exhibit No. 756", goes on and says [reading]:

> I talked to the consul and it seems that he was sore because information had been getting around about purchases by Colombia, and I added insult to injury of the other fellows by telling him that the last shipment was made up with old TNT.

That was a Federal shipment?

Mr. **Huber.** No; I think that was Driggs.

Senator **Clark.** You were telling him about some other competitor shipping bad TNT, and he was then talking about the gun fights, and so forth. What was it he said about that?

Mr. **Huber.** He said he had heard that from other sources.

Senator **Clark.** Did you understand he was going to shoot up you, Driggs, or somebody else?

Mr. **Huber.** No; I had heard him say that he had almost shot a man for it. He did not believe it. In other words he was rather incensed about it and said, "If you can prove that I will guarantee to give you all of our business."

Senator **Clark.** Then you say in this letter:

> I tried the system of scaring him into it and the reaction was very favorable.

How did you go about scaring him?

Mr. **Huber.** I told him that our merchandise was the very best, and that we gave him more for his money than anybody else would give.

Senator **Clark.** That was not calculated to scare him and to bring about a favorable reaction, I should think. I read further from this letter as fallows:

> He duly cautioned me not to let my stenographer find this out, because she is a friend of the stenographer in the Peruvian consulate, and I told him that I mailed his inquiry directly to you and have no copy in the files. He was emphatic in stating that he would refuse the order, if the news leaked out. You had therefore better identify this order as "Siam", in your operations as well as in loading them, etc., until they are finally on the boat, and paid for, even after they are shipped don't mention Colombia, as they might have another order some day. I will take out my own telegrams asd write my own letters about this in order that there is no slip up from this office.
>
> Olano says that he thought he was asking for Army specifications when he wrote the letter and says that he will hold to Army specs. He wants tail fuses on the 300-and 600-pound bombs.
>
> If we could prove my statement that the last order for bombs was filled with old TNT, in writing, I will guarantee you this order in hand. Could an affidavit or letter be obtained from some witness in a reasonable time? If so, this will cinch the order, but—as Comm. Strong probably was their inspector that received the shipment it might be a boomerang, and Strong might find a pretext to turn down our shipment (if we get it).

Was that about the time you had become suspicious of Strong's activity?

Mr. **Huber.** I did not know that Commander Strong was getting a commission; the colonel did not even tell me about it.

Senator **Clark.** So even though he was looking for a pretext, they turned down your order?

Mr. **Huber.** Sure.

Senator **Clark.** Reading further, the letter says:

> Altho Olano told me that he had asked others for quotations, I am rather inclined to believe that he did not ask Federal to quote, because this was one of his stipulations to Young last September, and Jonas told every dog and his brother, gloating about "the big order from Colombia."

Olano was the Colombian consul?

Mr. **Huber.** Yes.

Senator **Clark.** Now, Colonel Goss, what is your customary method of shipping these tear-gas bombs?

Mr. **Goss.** What is the method of shipping what—these bombs?

Senator **Clark.** Yes; shipping these bombs.

Mr. **Goss.** I don't know if I understand the question.

Senator CLARK. Is it safe to carry them around in a trunk, for instance?

Mr. GOSS. Yes; it would be perfectly safe. You cannot ship them, except under interstate-commerce regulations, and they have a certain number, I.C.C. 40, and you stamp that on the box.

Senator CLARK. What was this incident of your Mr. Pawley carrying a trunkful of bombs on the steamer with him?

Mr. GOSS. Well, he didn't do that. He was leaving for China and he was very anxious to take these bombs with him, and asked us to ship them out to him to the port, which was either Seattle or San Francisco, I don't remember which. He thought he would be allowed to put them in his trunk and take them with him, but when he asked permission to do that, the steamship company refused. Then those bombs were shipped back to Cleveland and we had to ship them through the Barr Shipping Co.

Senator CLARK. You write this letter to Mr. Pawley, dated March 26, 1934, which I offer in evidence.

(The letter referred to was marked "Exhibit No. 757" and is included in the appendix on p. 2041.)

Senator CLARK. Mr. Pawley was connected with Intercontinent Aviation?

Mr. GOSS. Yes; he was president.

Senator CLARK. They were establishing aviation schools of some sort in China?

Mr. GOSS. Intercontinent Aviation, as I understand, is a subsidiary of Curtiss-Wright, or perhaps of the Sperry Corporation, or, at least, they are connected up, I do not know the exact connection. Intercontinent Aviation, as I was told, was formed to construct and operate air lines in several foreign countries, including Turkey, China, Cuba, and I think another country was Peru. Mr. Pawley was president of that Intercontinent Aviation. Does that answer the question?

Senator CLARK. What I was getting at was the relationship between your company and Mr. Pawley. These were sample bombs you were furnishing Mr. Pawley, and I want to know what he was going to do with them. Did he have an agency for you?

Mr. GOSS. Yes; he did. Previous to this Intercontinent had had an order from China for one thousand 100-pound demolition bombs which they had asked us to fill, and as a result of that when he was going back to China he wanted our representation on this equipment, and also he wanted to take samples with him, and he came out to Cleveland and spent a little time learning as much as possible about it.

Senator CLARK. You say in this letter:

> I have your letter of March 5th, enclosing copy of letter from Mr. C. F. Wang, engineering officer, Central Aviation School, Hangchow.

That is after these bombs were shipped to him?

Mr. GOSS. Yes.

Senator CLARK. Then the letter reads further:

> I greatly regret that this has occurred, but believe you know the reason for it, as you remember these samples were shipped to you at the boat, as you intended taking them with you in a trunk and, for this reason, they were not packed in soldered tin cases as are all of our export shipments.

Will you explain that, please?

Mr. Goss. This is almost self-explanatory. We sent them to the port thinking he could get permission to take them with him on the boat, but he was not allowed to do that, and they were sent back to Cleveland and asked to be forwarded through the Barr Shipping Corporation.

Unfortunately, on account of that slip-up, when they were sent back they were not repacked, they were not packed in tin in the first place, thinking he was going to take them in his trunk. So when they were reshipped by regular ocean freight the shipping department forgot to put them in tin as they are usually packed.

On the boat going over all of this is carried as deck shipments on account of possible fire or something happening, and in fact it is very difficult to get the steamship company to handle this class of merchandise at all, and particularly anything that has the word "gas" attached to it, so that on the way over they were apparently soaked with water and arrived in that condition, which is in very bad condition.

That is what he is referring to.

Senator Clark. What does Wang have to do with it; that is, the Central Aviation?

Mr. Goss. He is the man who received it. Mr. Pawley sent it to the aviation school, where he was going to give the instruction.

Senator Clark. What were these, bombs or grenades?

Mr. Goss. They were largely police equipment.

Senator Clark. Suppose you differentiate between bombs and grenades, Colonel.

Mr. Goss. In the first place, we have been in the tear-gas business ever since about 1924, that equipment being manufactured for police, prisons, banks against burglary attacks, and that sort of thing, and the equipment consisting essentially of grenades, candles, gas clubs, and long-range gas guns.

Senator Clark. A grenade is something that you throw by hand, is it not?

Mr. Goss. That is right.

Senator Clark. And a bomb is an aerial bomb. Is that the differentiation?

Mr. Goss. The two words are very loosely used by the press and by the public.

Senator Clark. I understand from the correspondence that you and Federal do not have the same classification. I am trying to get your classification.

Mr. Goss. I personally never referred to a grenade as a bomb. By a "bomb" I mean exactly what you indicate there. It is a larger thing, generally dropped from an airplane. There are mortar bombs and projector bombs. It is used for big things and the phraseology is not very accurate and, as I say, it is not accurate the way it is used.

I do not remember just what your question was.

Senator Clark. I was trying to get at the differentiation between a bomb and a grenade. What equipment do you deal in, Colonel?

Mr. Goss. Do you want me to go into it in chronological order? We started on colored enamels. When the Lake Erie Chemical Co. was formed, we started making police equipment, tear-gas equipment, and we made similar products, what is called "Detecto Gas", for fumigating houses and killing vermin, and we make a spray for protecting cloth from moths and we make "Chlorocold" for treating colds with chlorine gas. A large part of the chemical business was the vault and safe protection business for quite a long time. We had the contract 4 years for protecting United States post offices against burglary, the automatic equipment going on the vault door.

Senator CLARK. That was tear gas?

Mr. GOSS. That was tear gas; and saved dozens of them.

Senator CLARK. Do you use sickening gas for the same service?

Mr. GOSS. No; we never use it. It would not be suitable for that purpose. What is called sickening gas or DM is not as instantaneous in its action on the individual as tear gas. They use that when they want to produce an effect lasting longer and not an instantaneous effect. It is not suitable for stopping a rush of rioters, bandits, or anything else.

Senator CLARK. What else do you sell?

Mr. GOSS. We make daylight hold-up equipment for banks which is both electrically and manually operated. We make night protection for both vaults and safes and for warehouses and similar places that are attached to the doors, such as the New York Central Railroad freight doors, which were protected by means of this equipment.

Those, I think, were the chief of the Lake Erie Chemical Co.'s products.

Senator CLARK. How about the U.S. Ordnance Engineers?

Mr. GOSS. Two years ago, or perhaps a little less than that, there seemed to be quite a demand for certain types of munitions, such as aerial bombs, particularly, and we were asked on a number of occasions if we could furnish them, and we first said we could not, and then we started making inquiry as to whether we could, and the first order that we sold was this one to Intercontinent Aviation for China, and that was sold by the Lake Erie Chemical Co. before the new company was organized, and I think there were perhaps one or two others sold before we organized the new company. But the name "Lake Erie Chemical Co.", as you can see, was not suitable for that.

Senator CLARK. What else do you deal in; that is, the United States Ordnance Engineers?

Mr. GOSS. What else?

Senator CLARK. Yes, sir.

Mr. GOSS. Other than aerial bombs, you mean?

Senator CLARK. Yes, sir.

Mr. GOSS. We make any number of products, all of which are shown in our new catalog. In general they are military equipment, anything that we are equipped to make and know how to make.

Senator CLARK. Do you make any machine guns?

Mr. GOSS. I can answer that best by beginning at the beginning, because I could not make an answer yes or no which would answer the question.

Senator CLARK. You do deal in machine guns. You can answer that yes or no, can you not?

Mr. GOSS. Yes; I could answer it "No", but it would give you a misunderstanding of the true situation, and, therefore, I do not want to answer it "No", and I want to tell you the situation.

Senator CLARK. Make the explanation, but the correspondence clearly shows that you do.

Mr. GOSS. I beg your pardon. I am going to ask you to retract that in a minute. The story of that situation is this:

Back a year and a half or perhaps more ago I was in Griffin & Howe's store, and, as you know, they are manufacturers of possibly the finest sporting guns and rifles made in this country, and Mr. Griffin introduced me to an expert German machinist that he had in there named Hyde, and told me that Hyde had been working a couple of years on a machine gun at home in his spare time, that he had a workshop in his basement, and asked me if we would be interested in selling that gun as something to counteract the competition of Federal Laboratories, who had the Thompson gun. I told him I certainly would, if it were an improvement, and it was a good gun. I think it was not ready at that time even to test or demonstrate, but sometime after that, when I was in New York again, we went over to Abercrombie & Fitch's basement, where they have a shooting range, and shot this gun, and I saw that it was far simpler than the Thompson gun, having only one moving part instead of a large number of moving parts, and I was quite taken with the thing.

At that time they gave me an option on this gun, when, as, and if it was ready for actually putting on the market. There had to be some more work on it. That condition existed for quite a long time. I wrote them a number of times asking them what they were doing and whether they had got the thing finished yet, and the answer was always that Mr. Hyde was very busy with his own work and did not have much time, except his time at home, and he had not finished it yet. And it went along in that same condition until last year, and he had not finished it yet, and it went along in that same condition until last winter I was down in Senator George's territory, doing a little quail hunting, and Mr. Huber wrote me down there that he was going to some South or Central American country, and wanted to know if he could take this gun with him; that he had been in touch with them in New York and was satisfied it was now ready for the market.

I wrote back that inasmuch as I did not know anything about it personally, that I did not want it sold under the name of the Lake Erie Chemical Co., but if he felt satisfied that it was ready for the market, I had no objection to his taking it along and taking any orders he could get in the name of his own company, the Export Consolidated Co., and I believe that you did that, Mr. Huber, and got one order on that trip for five or six guns from the Government of Panama.

That is exactly the condition the thing is in right now. I have not yet given my permission for selling it under the name of Lake Erie Chemical Co., but I have given Mr. Huber and Mr. Richardson, when they are on trips, if they are satisfied with the condition of the guns, to sell it under the name of the Export Consolidated Co.; and I also agreed to help finance the manufacture of such guns if they got orders for it in return for a percentage of the profit from it.

That is the present status of it.

Senator CLARK. That was in the name of the Lake Erie Chemical Co. that you entered into that agreement?

Mr. HUBER. That is right.

BUSINESS RELATING TO MACHINE GUNS

Senator CLARK. I call your attention to a memorandum agreement under date of May 4, 1934, with Mr. George J. Hyde and/or the Hyde Arms Co., 952 Adelphia Street, Brooklyn, N.Y. I will ask that that be appropriately numbered.

(The document referred to was marked "Exhibit No. 758" and is included in the appendix on p. 2042.)

Senator CLARK. That document reads in part as follows:

> DEAR SIR: The Lake Erie Chemical Company of Cleveland, Ohio, agrees to employ you for a period of six months at a salary of $300 per month to manufacture machine guns and do such other work as we may direct at our plant in Cleveland. We also agree to purchase from you at cost and to transport to Cleveland such barrels and other parts as you may have on hand and which are applicable to your latest model gun, and also to transport to Cleveland your milling machine which we will also later purchase from you at cost less reasonable depreciation if you so desire. The $200 recently advanced to you shall be applied toward the purchase price of the above-mentioned barrels and parts which you now have.
>
> We further agree to apply for and prosecute patent applications covering your machine gun, magazines, etc., and to advance all costs of same including drawings, etc., against royalties. You agree that resulting patents will be assigned to the Lake Erie Chemical Company, who will pay you or the Hyde Arms Company a royalty of (5%) five percent of the gross net sales of my gun and other inventions. By gross net sales is meant the total net amount which the company receives after sales commissions have been paid.
>
> You agree to vote your stock in the Hyde Arms Company in support of the above agreement, in which you own a total of 165 out of 250 authorized, of which 195 is outstanding. In case any of the above transactions are functions of the Hyde Arms Company rather than yours as an individual, you agree to cause such action to be taken by the Hyde Arms Company.
>
> Receipt of one dollar and other valuable consideration is acknowledged by you in consideration of this agreement.
>
> THE LAKE ERIE CHEMICAL COMPANY,
> By B. C. GOSS, *President.*
>
> As soon as we know where we stand on getting a patent, etc., we will arrange some way of taking care of Mr. Griffin's claim, probably by making you an advance against royalties sufficient to take care of him and also the other two men.

Does that represent the status of the agreement?

Mr. GOSS. That represents an agreement which was never carried out.

Senator CLARK. Was it executed?

Mr. GOSS. What do you mean by executed?

Senator CLARK. Was it signed?

Mr. GOSS. Oh, yes; it was signed.

Senator CLARK. It produced a valid contract?

Mr. GOSS. It produced a valid contract except that Mr. Hyde never went through with his end of it. I might go on to say that I drew up that thing in a very brief manner, when I stopped in New York on the way to Turkey, and Mr. Hyde was to go out to Cleveland himself and spend several months there, and was going to help to make some guns in our shop, and make the drawings for the patent application, and so forth and so forth, and Mr. Hyde went out to Cleveland, and he is a very peculiar character, and it is very hard to understand his mental reactions, but he was dissatisfied and did not like being away from New York, and felt he was not going to get enough money out of it, after the agreement was signed, and got on the train and went back to New York without saying anything to anybody in our organization. So that the thing never went into effect and the status is just where it was, that we have never taken the thing over.

Senator CLARK. Mr. Huber, you sold some of these guns, did you not?

Mr. HUBER. Yes, sir.

Senator CLARK. I call your attention to a letter dated July 6, 1934, from yourself to the U.S. Ordnance Engineers, Inc., Cleveland, Ohio, which I will ask to be appropriately numbered.

(The letter referred to was marked "Exhibit No. 759" and is included in the appendix on p. 2043.)

Senator CLARK. Did you sell these guns intending to use Thompson magazines with them?

Mr. HUBER. Yes, sir; we did use Thompson magazines. They are interchangeable.

Senator CLARK. This is a letter to the U.S. Ordnance Engineers, Inc., being a letter from you, Mr. Huber, and in that letter you state:

> I find that last Friday or Saturday a regulation was put into effect that an export license was required from the State Department for shipping of arms or ammunition to Cuba and today have made application for 61 guns and three magazines in the event that we are able to obtain the Thompson magazines.

Was that because there were not magazines for the Hyde guns, or because magazines for the Hyde guns were not suitable?

Mr. HUBER. Magazines for the Hyde guns were not suitable. Hyde had a round magazine, but he had not finished it.

Senator CLARK. You were trying to buy up Thompson magazines to use them in the Hyde gun?

Mr. HUBER. That is right.

Senator CLARK. The letter continues:

> The customhouse in New York advise us that permits are now required for China, Honduras, Nicaragua, and Cuba. We inquired as to Bolivia and Paraguay, but the customhouse states there is no permit required, which shows they are not well informed.

What United States official told you the permit was not required?

Mr. HUBER. They did not tell me personally. I sent a fellow over to the customhouse to get the blank to make the application upon and he inquired where permits were necessary.

Senator CLARK. Was that the customhouse in New York?

Mr. HUBER. That is right.

Senator CLARK. And he was informed that no permits were required, this being immediately prior to July 6, 1934?

Mr. HUBER. And they gave him a list of the countries requiring a permit, and he said to them, "How about Paraguay and Bolivia?" And they said, "There is no regulation on that; there is no permit required."

He came back to the office and I said, "They are crazy."

Senator CLARK. Could you tell us to what official he talked there, Mr. Huber?

Mr. HUBER. No; I do not know.

Senator CLARK. I would be interested to find out.

Continuing with the letter:

> We still have four weeks in which to deliver the 300 magazines if they are obtainable and I have another order from Panama calling for 24, which I would like to supply as an accommodation. Hyde finished this morning 63 guns and the whole Griffin & Howe organization have been working day and night to complete this production on time.

Hyde was having his guns manufactured by Griffin & Howe?

Mr. Huber. He has parts made at various places. He took them up to Griffin & Howe to finish them up. Certain machining, and so forth, was done up there, and fitting, and so forth.

Senator Clark. He was having the gun barrels made by Winchester, was he not?

Mr. Huber. Winchester made his gun barrels; yes, sir; and some castings were made in Jersey and some machining done in Jersey, and some sights which he imported.

Senator Clark. This was a 45-caliber gun?

Mr. Huber. That is right; the same caliber as the Thompson.

Senator Clark. Do you know how much of an order Hyde gave Winchester?

Mr. Huber. One hundred barrels, I understand.

Senator Clark. Is it not a rather unusual procedure for a concern like Winchester to take on an order like that?

Mr. Huber. It was all the barrels.

Senator Clark. I understand; but it required Winchester to tool up and make them, did it not?

Mr. Huber. Yes; but they expected to get more business and took the first order, I understand, for $5 a barrel.

Senator Clark. You do not know whether or not Winchester were making these guns for somebody else besides yourself?

Mr. Huber. No, sir; I do not know. They might have made the barrels for Thompson.

Senator Clark. They were made by Colt, were they not?

Mr. Huber. The gun is manufactured by Colt. The barrels might have been made by Colt, Winchester, or anybody else.

Senator Clark. What are the parts made in New Jersey?

Mr. Huber. If I showed you a picture of the gun, perhaps I could tell you better.

Senator Clark. All right; suppose you do that.

Mr. Huber. The part containing the magazine, holding the magazine, is a casting. I understand that was cast over in some foundry in Jersey.

Senator Clark. Do you know the name of that concern which cast it?

Mr. Huber. No; I do not.

Senator Clark. It is not particularly material.

Mr. Huber. I think that big barrel there, the rear part of it is made over in Jersey. The wooden stocks were made at Griffin & Howe's plant, and the inside mechanism, I think, was cast over in Jersey and machined over in Jersey. That is about all I know about it.

Senator Clark. Now, I understand that these guns were so manufactured as to readily use Thompson magazines. Is that correct?

Mr. Huber. That is right. The magazines are interchangeable.

Senator CLARK. Is that because your outfit or, rather, the Lake Erie Chemical Co. and Hyde did not want the expense of manufacturing his own magazine?

Mr. HUBER. No. Hyde was working on developing a round magazine, but he never could get the thing right; and a round magazine slips in the same as the Thompson magazine. As the round magazine never developed, we abandoned it altogether.

Senator CLARK. You never made any magazines of your own?

Mr. HUBER. Straight magazines; yes, sir.

Mr. GOSS. I think I was responsible for that, because I was the one conducting the conversation with Mr. Hyde. I asked him to make it so that the magazines were interchangeable for both kinds, because, if a police department had one gun, say the Thompson gun, I wanted them to be able to use either magazine in the gun for their convenience and to make it simpler for the user; and it would help cut down sales resistance if the magazines were interchangeable on both kinds.

Senator CLARK. But neither you nor Hyde manufacture or had manufactured for you any special magazine for the Hyde gun?

Mr. GOSS. Yes; we did. Right from the beginning we have been working with Mr. Hyde in this matter, advising him that we wanted a magazine, but we wanted not a round magazine but a straight magazine.

Senator CLARK. Were any special Hyde magazines ever manufactured?

Mr. GOSS. Oh, yes.

Senator CLARK. Who manufactured them?

Mr. GOSS. He did.

Senator CLARK. Where were they made?

Mr. HUBER. He made them himself. They are straight magazines and not round.

Senator CLARK. They were made by Hyde?

Mr. HUBER. They were made by Hyde.

Senator CLARK. He made them personally?

Mr. HUBER. That is right.

Senator CLARK. How much?

Mr. HUBER. He made 61 for the guns which were shipped, and he made probably 30 or 40 more, or, say, 100 altogether.

Senator CLARK. Were you here yesterday when the memorandum from Mr. Jonas was read, in which he said that these guns were being sold and that the only name on them was on the magazine, which was marked "Thompson"?

Mr. HUBER. Yes.

Senator CLARK. Were these guns sold in South America as Thompson guns?

Mr. HUBER. No, sir; absolutely not.

Senator CLARK. Did you sell them yourself?

Mr. HUBER. I sold them myself. Here is the way the thing happened: I flew from Nicaragua to Costa Rica and got to Costa Rica and could not find them.

Senator CLARK. To whom did you sell the guns?

Mr. HUBER. The chief of police in Panama City. He carried me to David, Panama, and I left the gun and samples in David and went to Panama City without anything as to that type of gun and showed a picture, and they said, " Send us the sample gun ", and I sent them on my return going home, and from Guatemala City I sent them air express to the chief of police in Panama, and he compared the gun and ordered five more from me.

Senator Clark. You said that you were going over to see Mr. Groves at the Guaranty Trust Co., who were handling the estate.

Mr. Huber. I think that means the Ryan estate.

Senator Clark. It does not say so.

Mr. Huber. It is copied wrong.

Senator Clark. I could not figure it out. What was the Ryan estate doing with the magazines?

Mr. Huber. I understood the Guaranty Trust Co. took over as a trustee the Ryan estate and among other things took the Thompson machine gun on the auto ordnance.

Mr. Goss. I think it will clarify the situation if I answer a question which has not been asked. They asked for 300-round magazines with the guns.

Senator Clark. They asked for Thompson magazines, did they not?

Mr. Goss. In the first place, no one knowing a gun from a broomstick would take it to be an imitation of the Thompson gun, because they are very different, but they wanted the round magazine originally, and we asked the Federal Laboratories if they would make a magazine for this gun, which, however, they refused to do. It was a story which was finally settled by making the straight magazine and sending them down on approval, and I believe they were approved.

Mr. Huber. We got a subsequent order for straight magazines.

Senator Clark. Mr. Huber, I call your attention to a letter dated May 21, 1934, which I offer for appropriate number, signed by you, and addressed to the Lake Erie Chemical Co., attention Mr. A. S. Ailes.

(The letter referred to was marked " Exhibit No. 760 " and is included in the appendix on p. 2044.)

Senator Clark. Mr. Ailes was vice president of your company?

Mr. Goss. Yes, sir.

Senator Clark. Along about the middle of the page you are talking about the contract between Hyde and your company, you state:

> I was over to the office of MacDermott & Turner, 165 Broadway, to discuss the matter regarding the gun and as Mr. Hyde was present they suggested certain changes in the set-up in order to have the contract with Mr. Hyde more liberal and at the same time more definite. Mr. Robert Cauldwell, of the above-mentioned firm, discussed this proposition with the notes from Mr. Turner, and they wanted to submit the following:
>
> First. Mr. Hyde wants a longer period of employment specified in the contract, or a cash allowance in addition to the royalties, to pay off Mr. Griffin, Griffin & Howe, and other moneys that he has spent in the development of this gun.
>
> Second. The expenses in obtaining and defending the patent for the account of Lake Erie Chemical Company are not to be charged against Hyde's royalties.
>
> Third. The machinery referred to in the contract to stay in New York.
>
> Fourth. The sale of the gun in New York City be licensed to Hyde. In discussing this Mr. Hyde thought it would be all right to work with me as long as I had the control of the sales in New York City, but Mr. Hyde believes that he can sell more of them in New York City than anyone else.

Do you agree with that, Mr. Huber?

Mr. Huber. He told me he had made a connection with the police department. That is what he told me.

Senator Clark. Your company was supposed to have very close relations with the police department, was it not?

Mr. Huber. That is what he told me. I told him I did not think he had any better connections.

Senator Clark. There was a statement which was made yesterday, when you were probably present, Colonel, in which Mr. Love, who was affiliated with you in some sales operations, stated you had the police department of New York in the hollow of your hand.

Mr. Goss. I wish he was right. I was not aware of the fact. I think it is untrue, and I criticized and scolded Mr. Huber and other people for making statements like that, but the situation was just this: That after competitive demonstrations had been made, to the best of my knowledge the New York City police department had not bought any other gas than ours for a period of 3 or 4 years, and I told Mr. Huber that, and perhaps he told Mr. Love that, or whoever wrote that letter.

Senator Clark. What about the statement of Love that you get an order from the police department of New York every 2 or 3 weeks for gas?

Mr. Goss. That, again, is "horsefeathers." I wish it were true. It was on an average of about once a year when we got orders, but sometimes those orders would come in groups—that is, one order for precinct stations or emergency squads. I do not know how they were fixed, but I do know there was a time when we got several orders in a period of a month, and there were no more for a year again.

Senator Clark. Do you still furnish all the gas requirements for the New York police department?

Mr. Goss. No, sir; we have furnished all that have been delivered to them. I will say that, but the last order which they placed was placed with B. & T. Munitions but it was never delivered, and probably never will be.

Senator Clark. Why not?

Mr. Goss. Because they do not exist any more.

Senator Clark. You mean B. & T. do not exist?

Mr. Goss. No. That is what I told Inspector Dittman, one of the reasons for a little controversy which developed between us—I do not know whether you want me to go into that.

Senator Clark. You mean in your relations with the New York police department?

Mr. Goss. Yes.

Senator Clark. I would be glad if you would. I am interested in these statements that you hold the police department of New York in the hollow of your hand.

Mr. Goss. The situation was, as I stated, that for several years they bought no gas except from us, which was on the basis of their own tests, and so forth. This year, when the time came around to buy gas, this B. & T. Munitions Co. had been working very hard on the New York police department, and Inspector Dittman, trying to sell them a grenade which de Bobula and Tauscher had developed, and which was in violation of a number of patents.

Senator CLARK. Who is this that is trying to sell them?

Mr. GOSS. De Bobula and Tauscher; the B. & T. munitions, in other words. This was the Captain Tauscher, who has been referred to several times in the testimony in the last few days. In the process of trying to sell their grenades they told inspector Dittman that it contained 90 grams of tear gas, chloroacetophenone.

So that when he was ready to buy tear gas, he sent out a request for a quotation on 200 hand grenades, containing 90 grams of CN.

I was just about to leave the country and instead of writing him, I had two samples made up of a grenade very similar to the ones he had been furnished in previous years, and that he had found quite satisfactory, and it was a special construction that we do not use for anybody else.

I took them into his office along with a letter and I told him that I was not going to divulge either to him or to anybody else the composition of our grenade. I told him further that it was not possible to put 90 grams of CN in that grenade.

I handed him the letter in which I said that—

> I am handing you herewith two samples of grenades of the types which we are willing to furnish you and a price of $5.50 per a quantity of 200. These grenades contain a certain number of grams of smokeless powder and so many grams of other chemicals.

And I said:

> I am not going to tell you what those other chemicals are and I am not going to tell anybody. You can test those samples and if they are satisfactory you can buy them; if not, it is all right with me.

So that that developed into sort of a controversy. Inspector Dittman later claimed that that letter was written with the intention of deceiving him, although I told him at the time very specifically that I was not going to tell him what the other chemicals were and simply stated in a letter that it contains so many grams of other chemicals. It was something in the neighborhood of 120 grams of other chemicals.

At any rate, they persisted in this—now wait a minute. There is another step in there. This was just about May Day. It was just about May Day, was it not, Ferdo?

Mr. HUBER. It was the 27th of April.

Mr. GOSS. At any rate, we got a wire out at the plant that they had to have these 200 grenades at New York Monday morning. I believe Tuesday was May Day and that the inspector would buy me or Ferdo or somebody a dinner, if we would get them to him Monday morning.

As I explained these were special grenades, these were not our regular production. We had none of them in stock and I had some of the men work all of Saturday afternoon and some on Sunday in order to get these shipped.

The telephone order that was given Mr. Huber—I do not know the exact wording of it, but the way we got it out at the plant was that we were to make these up like the samples submitted, which we did. But they never accepted those grenades. They turned them down on the ground that they did not contain 90 grams of CN per grenade.

Senator CLARK. Is that the lot that the Department rejected?

Mr. Goss. That is right. So they turned them down, and we had a long argument in order to get them back, because they laid around there for 2 or 3 months, I guess, before I finally succeeded in getting them back.

In the meantime they sent out specifications again, saying the same thing—90 grams of CN—and B. & T. got the order, but they have never filled it.

Senator Clark. I call your attention to a letter dated May 17, 1934, from Mr. Huber, of the Lake Erie Chemical Co., attention Mr. A. S. Ailes, headed "Not to be repeated and strictly confidential." I offer that letter as "Exhibit No. 761."

(The letter referred to was marked "Exhibit No. 761" and is included in the appendix on p. 2046.)

Senator Clark. This letter says:

> Dear Mr. Ailes: Following my letter of yesterday to Inspector Dittman, I called on him this afternoon to ascertain the exact status of the grenades that we supplied. In previous contacts with the inspector he always assumed a rough-shod conversation, but today he was very cordial, open, and politely very frank, and for this reason I am taking the matter very seriously in order to put up the picture to you. I do not have a copy of Colonel Goss' letter to Inspector Dittman dated April 17th, but the colonel referred to this letter in a pencil note on his letter of April 28th.

Mr. Goss. It was very unfortunate that he did not have a copy of it, or he would not have written the letter.

Senator Clark. The inspector had refused some grenades, it says in the next paragraph. Those were the grenades that you had sent him?

Mr. Goss. Yes.

Senator Clark. The letter reads:

> The inspector refused the shipment of grenades, reporting to the purchasing department that this is not what he ordered and is instructing the quartermaster to return them to you. I asked him how they were going to dispose of this order, and he said they would give it to the lowest bidder on a content of 90 grams of CN, and so far De Bobula is the lowest bidder of $6 less 10 percent, but he supposes that if Federal or ourselves would underbid De Bobula, we could have the business. I told him that this is quite improbable, and he is determined to get grenades of 90 grams CN content at as cheap a price as possible, and I see no way of getting around this excepting that you might arrange with Federal to underquote De Bobula.

Your relations with the Federal were very strained, were they not?

Mr. Goss. That came out this morning.

Senator Clark. Your relations with them were very strained?

Mr. Goss. Yes.

Senator Clark. You were accusing each other constantly, like a pair of pickpockets. What do you suppose put it in Mr. Huber's head to suggest this arrangement with Federal to underbid De Bobula? Were you in the habit of doing things in collusion with the Federal Laboratories?

Mr. Goss. The truth was what put it in his head, just as was stated this morning, on that particular type of thing there is a patent, and Federal and ourselves had a patent suit, or there was a beginning of a patent suit. The patent suit was finally adjusted by our taking out a license under the patent, which gives a perfectly legal right to set a price on anything containig this certain burning mixture.

That is an unfortunate thing, from our standpoint, but it was nothing that we could help. Any price changes on that sort of thing had to be agreed to by them.

Senator CLARK. The letter goes on to say:

> The inspector then repeated the disagreeable transactions and connections that he has had with Lake Erie, and while he will not go out of his way to do us any harm, he will tell anyone who asked him their opinion of Lake Erie Chemical Co. the history of his disagreeable transactions, which he explains to be very unbusinesslike.

It seems that the inspector was a little bit tired of being in the hollow of your hand.

Mr. GOSS. Do not quote me on that.

Senator CLARK. The letter continues:

> While I was sitting there he received your letter of yesterday explaining the affair of the National Equipment Corporation of Kansas City, which he said was another black eye and a poor explanation of the facts. His idea of satisfaction was that you should fire the National Equipment Corporation as agents and also make them retract every circular that they send out regarding the machine-gun statements. He also stated that their opinion was that the machine gun was not yet ready for the market, and he would so answer any inquiry that came to him regarding it. He recently was asked what submachine gun the police department used, and naturally replied Thompson was the only one that they had but there were other ones in experiment but not yet fully developed.

Who was the National Equipment Corporation?

Mr. GOSS. What he was referring to there was something that was a mistake. It was not done with our consent. The National Equipment Corporation is an individual out in Kansas City. I do not even remember his name. Mr. Ailes handles all of these domestic sales. But we had told a number of our representatives who kept writing in and wanted to know if we did not have a machine gun that could compete with the Thompson gun, for police-department use—that is, Mr. Ailes had told a number of these representatives that we were working on such a gun. Then, following the progress of this thing, he apparently had written this man in Kansas City that this gun had been tested by a man in the New York Police Department, and he repeated some remarks that this man had made which were quite complimentary to the gun.

Senator CLARK. That was the Hyde gun?

Mr. GOSS. Yes; that is right. This local man out there, entirely unauthorized, got out a printed bulletin about the thing saying that it was approved by the New York City Police Department which, of course, it was not. I do not blame Inspector Dittman for being sore about it.

Senator CLARK. He says that his idea of satisfaction was that you should fire the National Equipment Corporation as agents and also make them retract every statement that they sent out regarding the machine gun statements.

Did you follow his suggestion and fire the National Equipment Corporation?

Mr. GOSS. No. Mr. Ailes is in charge of our tear gas sales and he severely censured him for sending out the bulletin. But I do not concur in Inspector Dittman's suggestion that he should be fired, because it was a mistake.

Mr. HUBER. The Colonel was in Turkey when that took place, Senator.

Senator CLARK. I understand that, but it seems to me that a matter such as this, involving the New York City Police Department, is one of great importance and should have been handled very carefully.

This letter continues:

> As the inspector owes me a dinner he offered to bet me a dinner in order to cancel it, that no patent suit would stop De Bobula from supplying tear-gas grenades. Upon his insistence I accepted the challenge. He then pointed to your photostatic letter of February 13, 1933, to the Federal Laboratories by Kwis, Hudson, and Kent with the remark that he has been in the special investigating service for many years and now learned that. These lawyers were also lawyers for Federal Laboratories, and after a lengthy conference between yourselves and Federal the lawyers told both of you that there were no patents at all that would hold water and that De Bobula could and would go ahead with manufacture regardless of patent suits. He predicted that either or both Federal and ourselves could only stop De Bobula by buying him out.

What transpired?

Mr. GOSS. A suit was filed against him by Federal Laboratories, I believe. We offered to join in that, but we did not do so.

Senator CLARK. He also says:

> Young is usually in town on Thursdays and Fridays and if you want me to I will talk to him about preparing a suit against De Bobula for infringement, and, or, both of us putting in a quotation lower than $5.00 on a 90-gram CN content grenade. It is a matter for both of you to decide whether or not you want De Bobula to get the advertising of the N.Y. police dept. or whether you also want to come out with a round grenade. Inspector Dittman analysis of De Bobula's grenade reveals a CN content of 93 grams.

Did you join with Federal in that suit?

Mr. GOSS. No; we did not.

Senator CLARK. Did you have anything to do with it?

Mr. GOSS. We offered to.

Senator CLARK. You consulted with Federal about bringing suit against De Bobula.

Mr. GOSS. Yes.

Senator CLARK. They being the patentees and you the licensee?

Mr. GOSS. That is right. We offered to help in any way that we could.

Senator CLARK. But they did not desire your assistance.

Mr. GOSS. No; I would not say that. They preferred to bring suit in their own name, and we offered to help in the testimony or in any other way that was necessary.

Senator CLARK. Did you bear any of the cost of the litigation?

Mr. GOSS. No.

Senator CLARK. Has the case been decided?

Mr. GOSS. I do not think it was ever actually filed. It certainly never came to court, because they busted up before they had a chance.

Senator CLARK (reading):

> In conclusion, I want you to fully realize that Inspector Dittman has convinced himself that Lake Erie have not played fair and have used methods varying from veiled threats to misstatement of facts which are incorporated in the colonel's letter of April 17th, and the statements of machine guns as well as the past history of your transactions with them. He also insinuated something regarding your responsibility for having used these methods.
>
> I cannot conceive how we could satisfy his department excepting to give his department some distinct advantage, possibly by putting in 200 candles to be paid for when and if used or to be paid for after a specific period, but even so, I think he would reject the offer if we would not come down in the price to at least meet De Bobula or underquote him.

Was any such proposition ever made?

Mr. Goss. No, sir; and there never will be.

Mr. Huber. This whole letter was just my personal slant on the situation.

Mr. Goss. It was a matter of not having very much information, because I had handled that New York City situation personally.

Senator Clark (reading):

> I cannot realize any wisdom in the colonel's letter to Inspector Dittman of April 17th which was misleading regarding the CN content, because you offered by telephone yesterday to put 90 grams of CN in a candle at regular prices. I feel sure that the colonel knew what he was talking about when he told me that it was physically impossible to put 90 grams of CN in a candle, and it turns out that Federal are able to put it in their Jumbo grenade and that we can do the same. Such misleading information is treacherous and I have given you the above picture very frankly, and you should regard it as strictly confidential information, and I positively do not want to be quoted on any of it, but you may guide yourselves accordingly.

What was the fact, Colonel. Could you not put 90 grams of CN in?

Mr. Goss. Senator, I hesitate to repeat a scolding in public, but Mr. Huber is not a chemical man and does not understand these chemical terms any better than I can understand or remember these Spanish words. The whole difficulty there arose from this phraseology that we were talking about awhile ago. He mixed up the word "candle" with the word "grenade" and I said to Inspector Dittman that it was impossible to put 90 grams of CN in a grenade, not in a candle.

I believe you have already read in that letter that Mr. Huber said that he had never seen my letter of March 17, and in the last paragraph he is criticizing me for having written it.

Mr. Huber. No; I never saw it. Inspector Dittman showed it to me, but I had no copy of it.

Senator Clark. Mr. Huber, I call your attention to a letter dated September 13, 1933, from Mr. A. F. Spring to Hr. Huber, and I offer the letter as "Exhibit No. 762."

(The letter referred to was marked "Exhibit No. 762" and is included in the appendix on p. 2047.)

Senator Clark. What position does Mr. Spring hold?

Mr. Goss. He is vice president and he is also superintendent of the plant.

Senator Clark. He says:

> Dear Huber: Yesterday we received your cable for a quotation on two thousand (2,000) rifles and are doing everything possible to locate two thousand guns which we believe would be in acceptable condition but cannot tell you anything at the present minute. However, we expect to have full information on these on Friday, and will communicate with you immediately.

Where did Mr. Spring propose to get those 2,000 guns, do you know?

Mr. Huber. I was down in Nicaragua at the time. I sent a cable up here asking them to see if they could get 2,000 rifles. The letter is addressed to me in New York, but my brother was in the office there at the time. He thought maybe we could find a lot of rifles around some place. Nicaragua wanted to buy 2,000 rifles. I suggested to them in the cable either to my brother or to the factory directly, to see if they could get them from the United States Government.

Senator CLARK. Did they get the guns?

Mr. HUBER. No.

Senator CLARK. From any source?

Mr. HUBER. No. They have not. Up to the present time they have not bought them. I think I am going to get the order eventually.

Senator CLARK. You mean you have not sold the guns because you could not get the guns or because Nicaragua would not take them?

Mr. HUBER. Not in this country. They wanted Springfields and they are not available here unless the United States Government sees fit to sell them to them. I do know where there is a lot of 800 Springfields over in Europe which I have been trying to sell them ever since.

Senator CLARK. The United States Ordnance Engineers do deal in rifles?

Mr. GOSS. This is not an activity of ours. Mr. Huber has the right to do business, other than our business, and that is why I explained he had this company of his own, the Export Consolidated.

Senator CLARK. Is Mr. Spring an officer of your company or of Mr. Huber's company?

Mr. GOSS. Absolutely not. But we would do them that favor, if we could help to get the rifles, if we knew where to get them.

Senator BONE. Springfield is the regular Army gun, is it not?

Mr. HUBER. That is right.

Senator BONE. It is the regular United States Army rifle?

Mr. HUBER. That is correct.

Senator BONE. How did great quantities of them get to Europe?

Mr. HUBER. They were left there after the war.

Mr. GOSS. They were sold as surplus.

Senator BONE. To whom were they sold?

Mr. GOSS. Anybody that would buy them.

Senator CLARK. They practically gave them away.

Mr. GOSS. They were sold at auction.

Mr. HUBER. They were surplus material.

Senator CLARK. I understand that the United States Ordnance Engineers were simply going out to get these rifles as an accommodation to Mr. Huber?

Mr. HUBER. That is right.

Senator CLARK. The second paragraph of this letter refers to an automatic gun. Is that the Hyde gun that Mr. Spring was talking about? The letter says:

> In regard to the automatic gun, I would suggest that we wait until your return before taking up the various questions with Mr. Griffin unless you should be successful in placing an order in the meantime, and in which case, of course, we must have a very detailed report on all difficulties which you have encountered in order that these may be eliminated on any future guns. I believe your understanding is correct that Mr. Griffin has one hundred (100) of these barrels, and should be able to make delivery within the time specified in your letter.

Is that the Hyde submachine gun that he is talking about?

Mr. HUBER. That is right.

PREDATING OF ORDERS TO EVADE EMBARGOES BY CERTAIN COMPANIES

Senator CLARK. I call your attention to a letter of January 9, 1934, from Mr. Goss to Mr. Huber, which I will offer as "Exhibit No. 763."

(The letter referred to was marked "Exhibit No. 763" and is included in the appendix on p. 2048.)

Senator CLARK. This letter reads:

> I am advised that the five submachine guns will be ready on Saturday of this week without magazines, and we can obtain the magazines here.

What were those guns?

Mr. HUBER. Those were the Panama guns.

Senator CLARK. They were for the Panama police department?

Mr. HUBER. That is right.

Mr. GOSS. It might help to a further understanding of this to say that you have only sold two orders of these Hyde guns anywhere; one was the Cuban and one was the Panama.

Mr. HUBER. That is right.

Senator CLARK. And now, Mr. Huber, I call your attention to a letter dated May 11, 1933, from you to Col. B. C. Goss, which I will offer as "Exhibit No. 764."

(The letter referred to was marked "Exhibit No. 764" and is included in the appendix on p. 2048.)

Senator CLARK. This reads:

> According to the papers of this morning, it seems as though the League of Nations is going to eliminate South American bomb business. With your permission, I will send a cable to Mayrink Veiga——

Who is Mayrink Veiga?

Mr. HUBER. Our agent in Brazil.

Senator CLARK (reading):

> * * * or you could send it directly suggesting that they place the bomb order with us immediately and antedating the contract so that we would be in a position to fill the order because it is altogether possible that any move on the part of the League of Nations would not hinder existing contracts.

In other words, Mr. Huber, you were proposing to violate the law by simply dating back the contracts and then claiming that it was a contract already in existence when the embargo went into effect?

Mr. HUBER. That is virtually correct. Is not that what I said there?

Senator CLARK. Was that done?

Mr. HUBER. No.

Senator CLARK. What is your reaction to that, Colonel?

Mr. GOSS. My reaction was that we did absolutely nothing about it and had no intention of doing any such thing.

Senator CLARK. You had no scruples of any sort about the violating the law in this regard, Mr. Huber?

Mr. HUBER. It would not have been me. It would have been them down there.

Senator CLARK. You were suggesting to them to do it. You were responsible for the suggestion.

Mr. HUBER. I have been in those countries many years and I know how they do things down there.

Senator CLARK. You have no scruples of any sort about this violation?

Senator BONE. Can you tell us whether or not that is the technique developed in order to get around our present embargoes?

Mr. HUBER. I will tell you where I got that idea. When was that [referring to letter]? That was May of last year—I suppose it has been done. I do not know of any specific instances when that was done.

Senator CLARK. Did you ever hear of it being done before, or did you evolve that out of your own inner consciousness?

Mr. HUBER. Probably it came out of myself.

Senator BONE. You say that that is the way they do business down there. Is that a sort of a quaint old South American custom?

Mr. HUBER. One of them.

Senator CLARK. I call your attention to a letter dated July 13, 1934, addressed to the United States Ordnance Engineers, from Mr. Huber, which I offer as "Exhibit No. 765."

(The letter referred to was marked "Exhibit No. 765" and is included in the appendix on p. 2048.)

Senator CLARK. This was just a couple of months ago—July 13, 1934.

> Upon receiving your special delivery I immediately called Fiala Outfits, Inc., and they advised me to order 4 dozen 38 Smith & Wesson special tear-gas cartridges, and I wired you accordingly.
>
> Mr. Johnson, of Griffin & Howe, advised that they import the barrels and mechanical parts of the over-and-under guns, assemble, and fit them here, as well as the engraving, and that a good gun would cost about $300 to $350. I told Johnson this gun was for you, and he said he would be glad to give it to you at a minimum profit, but ordinarily they get from $500 to $1,000 for them. He also said that he had a Browning over-and-under gun for about $100.

What are over-and-under guns?

Mr. HUBER. The colonel can explain that better than I. It is a shotgun of some kind.

Senator CLARK. Suppose we have the colonel explain it.

Mr. GOSS. That is a sporting shotgun, a very expensive one. It has 1 barrel above the other instead of the 2 barrels parallel, as most double-barrel guns have. It costs about $400 apiece.

Senator CLARK. In the postscript of this letter Mr. Huber says:

> If you do not want the order for 2,500 1-pounders, at $3.80, do you have any objection to referring this inquiry to Hercules Powder? Please advise.

That was ammunition, was it not?

Mr. HUBER. Yes, sir.

Senator CLARK. Did you supply that sort of ammunition, Colonel?

Mr. GOSS. No; we do not make that.

Senator CLARK (reading):

> I hate to lay down on the 4" motor proposition, but in turn will concentrate on the 2⅜" projector. Grapevine rumors report the Federal are making up a new badge for them.

What did that mean, Mr. Huber?

Mr. HUBER. That should probably be "batch." Either a new batch or a new bomb for them is what it should mean.

Mr. GOSS. A new batch is what that should be, I think.

Senator CLARK. What is grapevine?

Mr. HUBER. General rumors that you get on the street or any place else. I got a lot of grapevine rumors right here in the last couple of days.

Senator Clark (reading):

> If this is true someone else will get in bad, as I assume that the Colombian Consulate ordered the two fuses from us to check Federal, but we supplied them a sample of the army standard fuse and not the tail fuse for their bombs.

Then you also go on. Mr. Huber:

> The grapevine also reports that the Bolivian order was increased to $3,000,000 from an original order of $241,000 in order to get around the embargo as secretary * * *.

Who was the grapevine in this case with reference to the Brazilian order being increased from $241,000 to $3,000,000 to beat the embargo?

Mr. Huber. I believe that was Emslie Jonas, if I am not mistaken.

Senator Clark. Who?

Mr. Huber. Emsley Jonas.

Senator Clark. Is that the brother of the Mr. Jonas that we have had before us? Which Mr. Jonas is he?

Mr. Huber. That is Frank Jonas. This is his brother.

Senator Clark. You still were on speaking terms?

Mr. Huber. Emslie and I are on speaking terms. Frank and I are not.

Senator Clark. You and Frank used to be partners?

Mr. Huber. Yes.

Mr. Goss. That is why.

Senator Clark. How long ago?

Mr. Huber. About March of 1932, I think, until I took on the Lake Erie, which was the latter part of October 1932.

Senator Clark. What was that Bolivian order to which you refer here?

Mr. Huber. I understood that American Armament had an order for $241,000 of trench mortars and shells for them, and that when they were talking about the embargo, the rumor was going around New York, this grapevine rumor, that they had increased that order and antedated it.

Senator Clark. In other words, the proposition was this, Mr. Huber: The American Ordnance actually had an order for $241,000 worth of munitions of war, which actually antedated the embargo.

Mr. Huber. No; they had a legitimate order for $241,000.

Senator Clark. I say, an order which actually antedated the date of the embargo.

Mr. Huber. Yes.

Senator Clark. Which, under the ruling of the State Department, they had a right to deliver.

Mr. Huber. That is right.

Senator Clark. They had simply sneaked in under this $241,000 order an order for $3,000,000 worth of munitions, in order to defeat the embargo.

Mr. Huber. That is the grapevine.

Senator Clark. That is all you know about it, what Mr. Emslie Jonas told you?

Mr. Huber. Yes.

Senator Clark. Did you get any other information on the subject?

Mr. Huber. I think it was published in the newspapers that the American Armament Co. had an order for, not $3,000,000, but $1.600,000.

Senator CLARK. Do you know what the order consists of?

Mr. HUBER. No; I do not.

Senator CLARK. You do not know what they delivered?

Mr. HUBER. I do not know what it was; trench mortars, aerial bombs, and so forth, I suppose.

ERECTION OF GAS PLANTS IN FOREIGN COUNTRIES

Senator CLARK. Mr. Goss, you are erecting some poison-gas plants for the Chinese Government, are you not—or you were in 1932?

Mr. GOSS. We are acting as engineers. We are not actually erecting the plants. We are acting as engineers for them; yes.

Senator CLARK. Is this about the same time that the du Pont Co. was selling a cheaper powder process to Japan?

Mr. GOSS. I do not know anything about that.

Senator CLARK. You contracted to superintend the erection of these plants, did you not?

Mr. GOSS. That is right.

Senator CLARK. You furnished the engineers?

Mr. GOSS. That is right.

Senator CLARK. And the plans?

Mr. GOSS. That is right.

Senator CLARK. And actually superintended the building?

Mr. GOSS. That is right.

Senator CLARK. Are the plants completed?

Mr. GOSS. No, sir.

Senator CLARK. How near completion are they?

Mr. GOSS. Well, I do not know that and if I did I would ask permission not to announce it publicly, because I think it might be injurious to a friendly nation.

Senator CLARK. How long have you been engaged in that?

Mr. GOSS. Since the date of that contract that you have in your hands.

Senator CLARK. That is the 15th of September 1932.

Mr. GOSS. Yes, sir.

Senator CLARK. How long after that was it started?

Mr. GOSS. There is a great deal of work to be entered into before we could actually start the building, and I think the work has been going on about a year now.

Senator CLARK. This is for the Chinese National Government, that is the Nanking Government?

Mr. GOSS. That is right.

Senator CLARK. I offer as an exhibit under its appropriate number this contract referred to.

(The document referred to was marked "Exhibit No. 766" and is included in the appendix on p. 2049.)

Senator CLARK. You offered plans to the Colombian Government for the establishment of a complete gas warfare division of the Army, including factories of various kinds, and including training the troops?

Mr. GOSS. That is right.

Senator CLARK. I offer this letter in reference to that matter dated January 8, 1934, and addressed to Mr. Roberto Escobar as an exhibit.

The letter referred to was marked "Exhibit No. 767" and appears in full in the text.)

Senator CLARK. I think this letter is interesting enough to read, and I will read it, as follows:

Mr. ROBERTO ESCOBAR,
Acting Consul General,
Consulate General of Colombia,
21 West Street, New York, N.Y.

DEAR SIR: In accordance with request made to Major Spring, we are pleased to submit herewith our recommendations for the establishment of a chemical warfare department for your army which will be invaluable both for defense and offense.

First phase. It would be impossible to obtain the necessary war gases from outside your country during an emergency and it is, therefore, recommended that the first step in the program be the building of plants to manufacture same within your own borders.

We are, therefore, attaching herewith quotations and estimates covering three plants—

I think I will ask you, Mr. Goss, to pronounce these names as I don't think I can do it myself.

Mr. GOSS. If those names specifically mentioned have any bearing, which I believe they have not, I would request that the specific names be omitted on account of the possibility of doing an injury to a friendly nation. I do not think they want their plan known.

Senator CLARK. Have these plans been adopted by the Government?

Mr. GOSS. No; they have not.

Senator CLARK. Then no damage will be done to them.

Mr. GOSS. They are being considered.

Senator CLARK. If they have not been accepted, no damage will be done, and if you won't pronounce them, I will attempt to do it myself.

Mr. GOSS. I will pronounce them, but I just offered a friendly suggestion.

Senator CLARK. Inasmuch as the plans have not been accepted, I do not see where any harm can be done.

Mr. GOSS. Then I will pronounce them. They are:

—chloroacetophenone, diphenylchloroarsine, and mustard gas, which are the three most prominent war gases.

Senator CLARK. Then this letter, "Exhibit No. 767", reads further:

Additional plants can be built and put into operation if desired, including gas-mask factories, phosgene plant, fragmentation hand and rifle grenade plant, shell-filling plant for all gases, smokes, and liquid fire, stokes mortar bomb-filling plant, projector bomb-filling plant, and gas candle and grenade-filling plant.

The Lake Erie Chemical Company will furnish all equipment necessary, assembling same at one point for shipment and inspecting same before shipment. The estimated cost of building includes estimates of labor costs for erection, but it is understood that the Lake Erie Chemical Company will not actually erect the building, although, if you should desire us to do so, we will furnish quotation based on our furnishing building complete, as well as equipment. We believe, however, it will be to your advantage to have us furnish plans and utility requirements only for the buildings, and employ local architects and contractors to erect the building.

The prices for complete equipment for each plant, as quoted, are f.o.b. Cleveland, Ohio.

Since the Lake Erie Chemical Company is making a very nominal charge for drawing up the plans and specifications for each of the buildings, the estimated cost of such specifications and blueprints for each plant shall be payable at the time contract is signed.

In regard to the equipment of each plant on which quotation is made, in each case a deposit of 33⅓% will be paid on the placing of order, the balance to be covered by irrevocable letter of credit placed in a mutually satisfactory bank within the United States, payable on sight draft attached to bills of lading when material is shipped.

It is estimated that the time necessary for completion of the chloracetophenone, diphenylaminechlorarsine, and mustard-gas plants would be approximately twenty months from date of order, assuming that ordinary facilities for construction are available and assuming that electrical energy, water, steam, refrigeration, etc., have been run inside of building walls before arrival of equipment. It must be clearly understood that the above time is an estimate only and cannot be guaranteed under the circumstances.

In order to supervise the installation of equipment and putting same into operation, it is estimated that two expert engineers will be required, whose time and expenses would be approximately as follows:

One general superintendent, who would probably be required for a period of two years, and whose time would cost $40.00 per day and expenses.

A second high-class engineer would cost $20.00 per day and expenses for an estimated period of six months.

If it is considered advisable, from the standpoint of economy, to carry out a program of creating a chemical warfare service by gradual stages, the writer would then recommend that the mustard-gas plant be the first one to be built and put into operation, since this is considered to be the most all-around valuable war gas from the average standpoint of offense and defense.

I would place the chloracetophenone plant second in order of preference and the diphenylaminechlorarsine plant as the third one to be built.

Second phase. The next step in the above program would, of necessity, be the establishment of plants for loading the war gases manufactured above into artillery shells, aerial bombs, mortar and projector bombs, gas candles, and grenades. The choice of weapons and, therefore, the projectiles into which these war gases should be loaded could best be determined as the result of a personal conference between the writer and your general staff or a representative thereof, in order that the writer might be made familiar with your tactical situation.

Inasmuch as we do not accept consulting work for competing or antagonistic governments, it is understood that such a conference would be regarded as highly confidential and secretive.

Cost estimates covering any of the above will be furnished on request after such conference.

Third phase. The next step would be the organization of a unit of chemical troops and their training to handle intelligently the different war gases and equipment. The usual unit is the chemical regiment, the peace strength of which would be 1,033 officers and men (war strength, 2,321). In your case, however, the writer would recommend that we start with a chemical battalion, the peace strength of which would be 297 officers and men, which can be gradually expanded as desired.

The writer will be pleased to prepare for you complete tables of organization, equipment, munitions, and requirements, etc., for a chemical battalion or regiment, and to supervise the training and instruction in tactics, on a time and expense basis to be arranged.

Fourth phase. The next step in the chemical-warfare program would be the instruction in tactics for the other branches of the army in chemical-warfare offense and defense. Your own chemical battalion would act as a nucleus and furnish instructors for this purpose.

The following branches of your army will doubtless in time adopt the following, or most of the following, chemical weapons:

I. ARTILLERY

(a) Smoke-screen shells:
  1. WP
  2. FM
  3. FS

(b) Gas shells:
  1. CN
  2. DM
  3. HS

II. INFANTRY

(a) Projector and projector grenades:
  1. WP
  2. CN
  3. DM
  4. High-explosive, fragmentation.
(b) Hand grenades:
  1. WP
  2. CM
  3. DM
(c) Candles:
  1. HC
  2. CN
  3. DM

III. AIR SERVICE

(a) Spraying equipment:
  1. FM
  2. FS
  3. CN
  4. HS
(b) Aerial drop bombs:
  1. WP
  2. CN
  3. DM
  4. HS

IV. TANK CORPS

(a) Portable pressure cylinders:
  1. FM
  2. FS
  3. CN
  4. CG
(b) Giant candles:
  1. HC
  2. CN
  3. DM

Presumably your chemical warfare service will be charged with the manufacture and supply of all of the above, or such items of the above as you may decide to adopt as standard, in addition, of course, to the devices which your chemical troops will use, in each case your chemical warface service will be charged not only with the manufacture but with the combat use.

The decision as to which of the above usual chemical weapons should be provided for your army in the beginning would necessarily be determined in conference as outlined above.

In addition to these offensive measures, the chemical warfare school, which we would necessarily organize, would train officers, who would later be assigned to different units of your army as instructors and advisors in defense measures against chemical warfare weapons.

Very truly yours,

B. C. GOSS,
Ex-Lieutenant Colonel, Chemical Warfare Service,
Consulting Engineer.

You say nothing came of that negotiation?

Mr. GOSS. Not yet.

USE OF UNITED STATES MILITARY CONNECTIONS IN PROMOTING SALES

Senator CLARK. Do you think that the name of your company, U.S. Ordnance Engineers, Inc., together with the fact that you commonly advertise yourself as a lieutenant colonel in the Reserve Corps of the United States Army would lead other nations in South America to think that you had some connection with the United States Government?

Mr. Goss. No, sir; in view of the fact it says U.S. Ordnance Engineers, Inc., very clearly. I think it would lead them to believe I had some experience along this line, however; at least, that was my intention.

Senator Clark. U.S. Ordnance Engineers, Inc., in their advertising advertise the fact a good deal, don't they, that you are on the reserve list of the United States Army?

Mr. Goss. I think they do, and I think it is perfectly legitimate.

Senator Clark. This I show you is a photostatic reprint of one of the pages of your catalog?

Mr. Goss. It is.

Senator Clark. It is a large picture of you, B. C. Goss, ex-lieutenant colonel, United States Army, president U.S. Ordnance Engineers, Inc., and over on the side here it says:

> Byron C. Goss, G.O. No. 3, W.D. 1924. Lieutenant colonel, Chemical Warfare Service, U.S. Army. As chemical adviser in the office of the Chief of Chemical Warfare Service, later as chief gas officer of the 1st Army Corps, and finally of the 2nd Army, by his untiring energy, exceptional ability, and wide knowledge of gases, he rendered service of great value to the American Expeditionary Forces in practically every battle in which American troops were engaged, thereby contributing materially to our success.

Then, down underneath the picture it says that Dr. Goss is a well-known army man and the leading expert in the manufacture and use of gas. He received his doctor's degree in chemistry at Princeton University. The value of his military services during the World War is attested by the officers with whom and under whom he served.

After leaving active service, Dr. Goss was for a time assistant manager of the experimental engineering department of the General Electric Co. at Nela Park, Cleveland, Ohio. He then founded this organization for the manufacture of chemical warfare and ordnance matériel.

Because of his expert knowledge of chemistry and the manufacture of war matériel, and his successful experience in tactics, Dr. Goss's advice on military affairs is in constant demand. He retains his rank of lieutenant colonel in the Reserve Corps of the United States Army.

Then, on another page under a similar large picture, is the name of A. F. Spring, vice president, U.S. Ordnance Engineers, Inc., and to the side of that picture it says that A. F. Spring received his degree of bachelor of science at Knox College, Galesburg, Ill. He was then appointed junior gas chemist in the United States Bureau of Mines and was assigned work on gas-mask development. During the World War he served as an officer in the Chemical Warfare Service of the United States Army and after his discharge at the end of the war he was commissioned in the Chemical Warfare Reserve and now holds the rank of major in this branch of the service. He was recently ordered to active duty by the War Department and appointed official instructor in chemical warfare at the National Rifle Matches, Camp Perry, Ohio.

Then, below that is another picture and under that picture the name of H. A. Grundler, plant superintendent, U.S. Ordnance Engineers, Inc. To the side of that picture there is a statement that H. A. Grundler was graduated from Case School of Applied Science, Cleveland, Ohio, as bachelor of science in chemical engineering.

After graduation he served on the research staff and then in production development for the United States Rubber Co. He holds the rank of lieutenant in the Chemical Warfare Reserve, assigned to the manufacturing arsenal, toxic smoke and lachrymatory division.

Then on a subsequent page is a large print photograph of copies of checks received by your company from the United States Government.

Now, Colonel Goss, you do not think all of that is calculated to represent official connection with the United States Government to South American people?

Mr. Goss. Very definitely not. It states very definitely what our present position is. This is intended to create the impression that we know what we are doing, and you will have first to remember. we are up against very severe competition in the State Department, and the Chemical Warfare Service, Department of Justice, Andrew Mellon, du Pont, and all of these people.

Senator Clark. Is Andrew Mellon competing with you down there?

Mr. Goss. All of this is in the person of Mr. Young, or, I mean, represented by Mr. Young.

Senator Clark. What is your understanding of the connection of Mr. Young and Colonel Mellon?

Mr. Goss. It was brought out in the testimony here.

Senator Clark. It was brought out in the testimony Mr. Young was asked if a certain director was a son-in-law of Andrew Mellon, and he denied it, and that is all of the reference to Andrew Mellon.

Mr. Goss. I was only referring facetiously to the connection our competitors had.

Senator Clark. Do you understand du Pont is in competition with you?

Mr. Goss. No, that was said in a facetious manner. That is based on these same grapevine rumors of all of the connections our competitors are said to have had.

Senator Clark. Would you say, when Mr. Spring and Mr. Grundler had their pictures taken for your catalog purposes in their uniforms as officers of the United States Reserve, that is not undertaking to advertise and emphasize your military connections; these gentlemen do not ordinarily wear uniforms to the office?

Mr. Goss. It was taken that way to emphasize their military experience, and it is perfectly legitimate, so far as I can see.

Senator Clark. That is a question of opinion whether it is legitimate, but I am asking if it does not emphasize their military connection by having their pictures printed in their uniform in your catalog?

Mr. Goss. My intention was to emphasize their military experience.

Senator Clark. Mr. Grundler never had any military experience except as a reserve officer?

Mr. Goss. That is right; but he has had military experience. He goes down to the Camp Edgewood Arsenal occasionally.

Senator Clark. You emphasize the military angle very greatly.

Mr. Goss. I emphasize experience in the Army on every occasion.

Senator CLARK. Beyond that, you have in your catalog on page 7 the following:

> Major General A. A. Fries, former head of the United States Chemical Warfare Service, says of Lieutenant Colonel B. C. Goss, Ph.D., D.S.M., ex-chief of Chemical Warfare Service, Second American Army, A.E.F.:
>
> "There is no chemist in America who knew more thoroughly the use of gas in the field, its effects, and how to handle it than Dr. Goss.
>
> "He has seen more of the effects of gas, both offensive and defensive, than any other American officer.
>
> "He was in every big battle in which Americans took part from Chateau-Thierry to the attack of the Second Army on the morning of the 10th of November 1918. As chief gas officer, First Corps, he drew up the plan for gas and smoke operation in the Argonne fight.
>
> "One of the best living experts in chemical warfare.
>
> "He did more than any other man to get the Army in the field to understand gas, its dangers, and what was still more important to victory, its proper use."
>
> (Signed) A. A. FRIES,
> *Brigadier General, U.S.A., Chief of Chemical Warfare Service,*
> *American Expeditionary Forces.*

You have got generals that go so far as to help your sales, it would seem. Then, I notice in your catalog a letter similar to this one I have just read, written on War Department stationery by an officer of the Militia Bureau to the brigadier general of the Wisconsin National Guard, and this letter reads as follows:

> DEAR GENERAL IMMELL:
>
> This will introduce to you Lieut. Col. B. C. Goss, formerly Chief of Chemical Warfare Service, 2nd Army, A.E.F., and Major A. F. Spring, Chemical Warfare Reserve, who is assigned as U.S. Army instructor of police in the use of chemical weapons at the National Rifle Matches, Camp Perry.
>
> Colonel Goss is said by Major General Amos A. Fries, Chief of the U.S. Chemical Warfare Service during the World War, to have seen "more of the effects of gas, both offensive and defensive, than any other American officer"; also, "to have done more than any other man to get the Army in the field to understand gas and, what was more important to victory, its proper use."
>
> Both of these officers are well qualified to advise you regarding the use of gas in quelling riots, as they have been in close contact with various disorders occurring throughout the country during the past few months and they recommended the chemical weapons which were used so successfully by the Ohio National Guard in suppressing the recent coal strike riot in southern Ohio.
>
> Since these weapons are not available for issue by the Army, being designed especially for handling civil disturbances, I am sure you will want to know about them and where they can be obtained, as the possession of such weapons by National Guard units constitutes a fine form of insurance policy against riot and disorder.
>
> Very truly yours,
>
> GEORGE E. LEACH,
> *Major General, Chief, Militia Bureau.*

That would amount to a recommendation that the National Guard of Wisconsin should buy your products?

Mr. GOSS. It is a recommendation to the National Guard commanders that they can save lives by buying and using similar products, and I would say that is far from reprehensible.

Senator CLARK. That is a matter of opinion, and it is my opinion that General Leach ought to be brought before a board for acting as a salesman for a gas company.

Then, underneath these statements I have just read, the prospectus of the company goes on to say:

> Any country today without a modern chemical warfare service, is at the mercy of any neighbor thus equipped, even if the opposing forces are much

smaller in number. U. S. Ordnance Engineers, Inc., is ideally qualified to advise regarding the tactical uses of toxic or nontoxic gas, liquid fire, white-hot molten metal, and smoke. This company can organize, equip, and train a modern chemical warfare regiment, battalion, or company. This instruction and organization is supervised by United States Army Chemical Warfare Service Reserve officers and in the company's employ, who are themselves chemists and chemical engineers of long experience. Dr. B. C. Goss, president of the company, prepared the orders for the use of chemicals in many major engagements of the U.S. Army in France.

That again emphasizes the reserve connections of the officers of the company.

Then a little further over in this very interesting catalogue, section II, page 4, we find an advertisement of smoke screens and gas with two large photographs of United States Regular soldiers in their eviction of the bonus army from Washington.

> Army fast tear gas candles, July 28, 1932, following serious rioting in which several thousand men attack the police.

You do not include the fact in your catalog that a couple of babies were gassed to death in that, do you, Colonel?

Mr. Goss. Mr. Senator, I have heard considerable conversation about frankness here. May I ask whether that frankness applies to all of us or just does not?

Senator Clark. It does, absolutely.

Mr. Goss. All right, I would like to say something right in this connection. I have been sitting here since Monday waiting to be called, and I have the distinct impression from what has been published in the papers as the result of it, as well as some of the questions that have been asked, that there are some of these questions here that may be not entirely directed to the witness, but they are intended to give the impression that people who make tear gas are the enemies of labor and enemies to the people as a whole. I believe that exactly the opposite of that is the case.

I want to say this, I have not been asked this question yet, but I presume I will be, and since everybody else has been, if we supply gas for quelling strike riots my answer is yes.

We have been, and hope to continue, to supply tear gas to quell any form of disorder, and if strikers or anyone else go outside of the law and attempt to use violence, I think it is to their advantage, as well as to the advantage of the community as a whole and our country and our Government, to use something to protect them and bring them to their senses, that produces no permanent effect.

Now, I challenge your statement that two babies were gassed to death and I would like to have that gone into. I would like to have you take that up with the Surgeon General of the Army, or with General Gilchrist who was the former chief of the Chemical Warfare Service and who is considered the foremost authority on the physical effects of chemicals used in tear gas.

Furthermore, I do not believe that you can prove that statement.

Senator Clark. That is a matter of opinion. It is entirely possible that one Army officer would not be interested in exposing the result of an offensive order of his superior officer. Nevertheless, it is a fact of undoubted authenticity that two babies did receive this gas, and both died shortly thereafter.

Mr. Goss. Mr. Senator, there are no poisons in this gas, and I do not believe any doctor or anyone in the United States will back you up in that, and I don't believe it can be proven. I would like the newspapers to kindly publish that.

Senator Clark. Are there any other questions you want to ask yourself and answer before we proceed with the examination?

Mr. Goss. I asked if I might be frank.

Senator Clark. I am perfectly willing for you to be frank, but I asked if there are any other questions you want to ask yourself and answer before we proceed with the examination?

Mr. Goss. If I had left it at that, that two babies had been killed by tear gas, that is the statement the papers would have published, and I do not think that is fair.

Senator Clark. I think it is entirely fair, and while I would not expect to prove it by an officer of the Army, and it is too old to prove by anybody else, it is my belief, and the belief of everybody in the country, that the two babies were killed by gas.

Mr. Goss. Any doctor will tell you that is entirely impossible.

Senator Clark. You filed a complaint in the Federal Trade Commission against your competitor for publishing pictures of troops in uniform using this gas, did you not?

Mr. Goss. No; if you will read that over again, and I heard that this morning, I complained because in publishing the picture they gave the impression those weapons were manufactured by a competitor.

Senator Clark. That was the basis of your complaint?

Mr. Goss. That is what it said, very clearly.

Senator Bone. Did I understand you to say you believed in the vigorous handling of men who would go outside of the law with violence?

Mr. Goss. I did not say vigorous handling; I said I believed in enforcing law and order by the most humane manner possible.

Senator Bone. You coupled with that men who go outside of the law.

Mr. Goss. Yes; that is right.

Senator Bone. What would you suggest could be done with men who go outside of the law without violence who go outside of the law by cleverness, and business acumen; do you think they might be dangerous to society?

Mr. Goss. What are you inferring?

Senator Bone. I am inferring about men who would go outside of the law to circumvent an embargo.

Mr. Goss. You are talking about me?

Senator Bone. I am talking about the munitions business; let us be frank about the whole business.

Mr. Goss. We have never done that.

Senator Bone. I have not suggested you did, but I say this record is replete with evidence that they have done it, and I don't see why we should confine it to men who violate laws with violence. There are hundreds of laws that can be violated without violence. Don't confine your classification to men who violate the law when it is coupled with violence.

Mr. Goss. That is not any question for me to answer. I merely stated when they attack the police for any cause whatsoever, whether it is a race riot, a strike riot, or anything else, or the Communists, whatever it may be, I am in favor of stopping it by the most humane means possible, which is tear gas.

Senator Bone. Why do you gentlemen always couple your advertisement with the Communists?

Mr. Goss. I have submitted my advertising, and I do not couple it particularly with communism, but I mentioned that as one of the cases of disorder and attacks of law and order. Do you think that is not the case, sir?

Senator Bone. I recall a lot of strikes in this country before the word "Communist" came into common use, and then the word "Anarchist" was employed.

Mr. Goss. We have in our States a duly constituted government, and we have the same thing in our cities, and the same thing in the United States, and if those governments do not constitute the Government, then I have nothing to say. If they do, they are certainly put there for the purpose of unholding the Government, are they not?

Senator Bone. I would like to get your views of what could be done with men who go outside of the law without violence, because this record is replete, as I say, with evidence of men who circumvent the law. Do you think they should be punished?

Mr. Goss. If they go outside of the law, certainly.

Senator Bone. What about this instance which developed just a few months ago, when men dated back contracts to evade an embargo?

Mr. Goss. I do not know what the law is, but, obviously, they are subject to whatever law exists on that subject.

Senator Clark. Mr. Goss, your company does, on occasion, or its agents do, on occasion, use your connection with the Reserve Corps as a selling argument, do they not?

Mr. Goss. I certainly presume to use my experience.

Senator Clark. I am thinking of your present connection with the Reserve Corps of the United States Army.

Mr. Goss. That is part of my experience; yes, sir.

Senator Clark. I call your attention to a letter from Mr. Huber to a gentleman in China, dated July 13, 1933, from which I desire to read one paragraph only at this time:

> In talking to the war lords, you might mention to them that our president, Col. B. C. Goss, was the Chief of the Chemical Warfare Service of the First and Second Armies of the A.E.F. during the World War. He is probably the best authority on chemical warfare equipment in this country, and is a Reserve officer attached to the War Department in this service.

That is certainly using your present connection with the Reserve Corps as a selling argument, is it not?

Mr. Goss. It is stating a fact.

Senator Clark. It is not an attempt to use a semi-official connection as a sales argument?

Mr. Goss. Not at all; it is an attempt to establish my ability to do certain things.

Senator Clark. I take that as being a rather direct attempt to use the United States Army as a selling argument.

Mr. Goss. That is your privilege, sir.

Senator Clark. I believe that is all.

The CHAIRMAN. Before recessing, the Chair desires to offer for the record two letters under date of September 17, 1934, from P. S. du Pont, one letter being in compliance with a request for a statement of his holdings in stock of the Hercules Powder Co. and the Atlas Powder Co., and the other statement being in connection with the request for a statement of his contributions made since 1919 in a political way.

The Chair understood that the request had been that Mr. Lammot du Pont would furnish the statement combined for all the brothers. There appears to have been some misunderstanding, and this is the only statement yet received. As soon as others are received, they will be made available and made a part of the record.

I am going to suggest to the reporter that this statement be held, pending receipt of the others, so that they may appear in the record together.

The statement covering campaign contributions, made by Mr. du Pont, since 1919, is as follows:

In 1920 to the Republican campaign, $12,378; nothing then until 1928, when he gave to the Democratic national campaign $50,000; in 1929, Democratic National Committee, $25,100; in 1930, Democratic congressional campaign committee, $5,000; 1931, Democratic National Committee, $12,500; 1932, Democratic National Committee, $15,000.

The committee will be in recess until 10 o'clock tomorrow morning.

(Whereupon the committee recessed until 10 a.m., Friday, Sept. 21, 1934.)

INVESTIGATION OF MUNITIONS INDUSTRY

FRIDAY, SEPTEMBER 21, 1934

United States Senate,
Special Committee to Investigate
the Munitions Industry,
Washington, D.C.

The hearing was resumed at 10 a.m., in room 310, Senate Office Building, pursuant to the taking of recess, Senator Gerald P. Nye presiding.

Present: Senators Nye (chairman), George, Clark.

Present also: Stephen Raushenbush, secretary, and Donald Y. Wemple, investigator.

The Chairman. The committee will be in order.

FURTHER TESTIMONY OF B. C. GOSS AND FERDINAND V. HUBER

PLANS FOR ERECTION OF A CHEMICAL PLANT IN TURKEY

Senator Clark. Colonel, I believe you testified yesterday, in response to a question as to what had developed from your letter of January 8, 1934, to the consul general of Colombia, that something had developed. Are you still conducting negotiations in Colombia?

Mr. Goss. My understanding is that that information has been forwarded down to the Government.

Senator Clark. You simply have not heard anything from them?

Mr. Goss. Have not heard anything further, no.

Senator Clark. Are there any other governments at the present time, Colonel, with whom you are conducting similar negotiations or to whom you are submitting similar suggestions?

Mr. Goss. Yes.

Senator Clark. Which governments are they?

Mr. Goss. Turkey and Rumania.

Senator Clark. Did you submit a similar proposition in general outline to both those nations?

Mr. Goss. Yes.

Senator Clark. How long ago did you submit those proposals?

Mr. Goss. I was over there—well, I sailed on the 5th of May and got back on the 4th of July.

Senator Clark. That was the 5th of May of this year?

Mr. Goss. Yes, sir.

Senator Clark. And those proposals are under consideration in those countries?

Mr. Goss. Yes, sir.

Senator Clark. I call your attention to a letter dated 4th of March, 1933, from Bekir Nuzhet, from Istanbul, which I will offer as "Exhibit No. 768."

(The letter was marked "Exhibit No. 768" and appears in full in the text.)

Senator Clark. This letter is addressed to the Lake Erie Chemical Co., 21 West Street, New York, and reads:

> We acknowledge herewith the receipt of your cablegram of 23rd, and also your letter of 16th ult. for which we thank you.
>
> Upon receipt of your cablegram we have written to Ankara for the required details of your cablegram and have only received it today.
>
> As the Turkish Government is a permanent member of the League of Nations, and according its laws has undertaken herself not to use the chemical-warfare gas in future wars, however, almost every other country participating in the League have already gas mobilization in their army, and, taking this before eye, our Government is the least desirous to fall into the same situation as Manchuria; and, therefore, have decided to build a costique-soda factory. Undoubtedly, therefore, that minor production of this plant will be turned into commercial purposes and will masque the original use of the plant.

It is possible, Colonel, to build a plant that will manufacture war gases, poison gases of various kinds, and turn out caustic soda as a by-product.

Mr. Goss. That is very easily understandable to a chemist, Senator. At the same time that you make caustic soda you make chlorine. It is an electrolytic process whereby you electrolyze common table salt and at one terminal you get chlorine and at the other you get caustic soda. Of course, the chlorine is a necessary raw material for all of the well-known war gases.

Senator Clark. So that it would be entirely practicable to mask a factory making military gases as a caustic-soda factory.

Mr. Goss. I did not say that.

Senator Clark. I am referring to the suggestion of your agent; I want to know whether that is practical or not.

Mr. Goss. No. You can make chlorine, which is a raw material for war gases, but you could not make any other of the war gases in that plant. In other words, you would make one of the raw materials.

Senator Clark. In submitting proposals to the Turkish Government, did you act upon the suggestion of your agent of masking the factory as a caustic-soda factory?

Mr. Goss. We did not act on any masking at all. We proposed to make a chlorine plant if they wanted it, and also the other gas plants if they wanted that.

Senator Clark. The letter goes on—

> The original production CHLOR will then be turned for the use of the military warfare according to the instructions which will be furnished from time to time by G. H. Q. This formula will not be furnished in advance.

Mr. Goss. That would mean 3 or 4 or 5 other plants.

Senator Clark. Besides the caustic-soda factory.

Mr. Goss. Yes.

Senator Clark. Continuing with this letter ("Exhibit No. 768"):

> Thank you very much for the pamphlets enclosed to your letter, but we believe that these are just to give some idea only, because you will appreciate that the information is not sufficient and are not of all your productions and effects.

The distance is so very far and the time which takes for a letter to come is so long, therefore, we will kindly request your furnishing us with the necessary portfolios and the detailed pamphlets of all your productions in triplicate, please.

As already we have mentioned in our previous letter, herewith we beg to confirm that our Government might be in need of gas mobil zation within this month, as the general conditions of Europe's politics is similar to that in 1914. Therefore, please send us all the detailed information of your products so that we might get in a position to hold every business possibility.

Hoping to hear from you, dear sirs,

Yours truly,

(Signed) Bekir Nuzhet.

Bekir Nuzhet is the same as Bekir Nuzhet Bey, whom we referred to?

Mr. Goss. Bekir Nuzhet Bey; yes. Bey is the same as mister, except that it is a high-class mister. Effendi is an ordinary mister.

Senator Clark. I am glad to get an explanation of the nomenclature of those countries. We have had a good deal of testimony about beys and pashas and effendis and one thing and another in this record heretofore.

Mr. Goss. Pasha simply means general, and bey means mister.

Senator Clark. Now, Bekir Nuzhet is one of your agents?

Mr. Goss. Yes; he is our agent, our only one.

Senator Clark. And Bekir Neyhil—who is he?

Mr. Goss. I do not know who he is.

Senator Clark. He writes from Istanbul on June 15, 1933, a letter to the Lake Erie Chemical Co., which I offer as "Exhibit No. 769."

(The letter referred to was marked "Exhibit No. 769" and is included in the appendix on p. 2053.)

Senator Clark. The letter reads:

This is to acknowledge the receipt of your favor of the 11th, ins.

Mr. Goss. That must be an error in copying that signature. Whoever copied it was not familiar probably with Turkish words. This is the same man.

Senator Clark. You only have one agent and that is Bekir Nuzhet Bey?

Mr. Goss. Yes.

Senator Clark. So you think that this is from the same man?

Mr. Goss. I am sure it is.

Senator Clark (reading):

Regarding the opinions stated in your letter from the required devices for a new gas-mask plant, has been carefully noted. We have forwarded one copy of this your letter with its translation to one of our new associate (Huseyin Rusnu Bey Deputee of the State of Tokat and in the same time the vice president of the Turkish Red Cross Association) for his advices regards how to give in our propositions for this gas-mask plant.

This gas-mask factory has to be built by the Turkish Red Cross Association, undoubtedly under the superintendency of G.H.Q.

The reference to Huseyin Husnu Bey Deputy of the State of Tokat—that would be a member of the Turkish Parliament, or what corresponds to such a body?

Mr. Goss. Yes.

Senator Clark. Now, the effect of that is that at the same time that you were dealing with Turkey in a proposition to establish factories for poison gas, you were dealing with the Turkish Red Cross Association for masks to be used against poison gas.

Mr. Goss. Is that an inference that that is a reprehensible practice?

Senator Clark. I am just asking you to answer my question. That is what you are doing?

Mr. Goss. That is part of every chemical warfare service in the world, to handle the offense and defense.

Senator Clark. You provide for the factories for the Government and at the same time to the Red Cross you provide these masks factories to offset the poison gas?

Mr. Goss. That is the way our own chemical warfare service is organized, as well as those in England, France, Germany, and all the rest of the world.

USE OF INFLUENCE AND BRIBERY IN MAKING SALES

Senator Clark. Now, I call your attention, Colonel, to a letter dated August 16, 1933, to the Lake Erie Chemical Co., attention of Mr. H. A. Huber and signed by yourself as president. I offer the letter as "Exhibit No. 770."

(The letter referred to was marked "Exhibit No. 770" and is included in the appendix on p. 2054.)

Senator Clark. This letter reads:

> Gentlemen: In answer to your letter of Aug. 15, it is no wonder that Federal's quotation was lower than yours if you quoted Mr. Decker list prices on the bombs in question. As you are aware, there is a total discount of 30 plus 5 percent from list prices on military equipment, of which 30 percent normally goes to the distributor and 5 percent to your office.

What is the explanation of the mistake that Mr. Huber has made in the quotation?

Mr. Goss. I do not know anything about that.

Mr. Huber. Will you allow me to explain that, Senator?

Senator Clark. Yes.

Mr. Huber. I was down in Central America, I left my brother in charge of the office, and he knows nothing about this business. He had been there about a month and he did not know how this system of discount and prices and so forth worked. The colonel was trying to explain the sum and substance of our agreement.

Mr. Goss. This is addressed to Mr. H. A. Huber.

Senator Clark. That is the brother of this gentleman?

Mr. Goss. Yes.

Senator Clark. He is your partner in business?

Mr. Huber. Why——

Senator Clark. He is associated with you.

Mr. Huber. He is just passing the time with me. He has no job.

Mr. Goss. He is a pinch hitter.

Mr. Huber. He just stayed in the office while I was gone. That is all the explanation there is to that. The colonel was trying to get him straight.

Senator Clark. Colonel, in the last paragraph of your letter you say:

> We may be able to get permission to have Mr. Decker * * *.

Who is Mr. Decker, by the way?

Mr. HUBER. A Bolivian consul.

Senator CLARK (reading):

> We may be able to get permission to have Mr. Decker phone a United States naval officer who has inspected both our bombs and Federal's and who told us confidentially that there was no comparison in quality between Federal's bombs and ours. If you desire you may mention this to Mr. Decker and, if he is desirous of further satisfying himself regarding the superiority of our product, we will try to get this permission and then give you the phone number of the officer in question, but this must be regarded as very confidential with Mr. Decker if you do this.

Who was this naval officer, Colonel?

Mr. GOSS. That was Mr. Steese.

Senator CLARK. What was his capacity?

Mr. GOSS. He was, as I understand it, loaned to Colombia for inspecting their bombs, for he had permission to inspect them in his spare time.

Senator CLARK. Where was he located? I believe it appears later in your file, but do you recall?

Mr. GOSS. I do not believe I know. I think it was care of Bellanca Aircraft Co., or something of that kind, Newcastle, Del.

Mr. HUBER. His home is in Newcastle, Del. He was inspecting some Bellanca planes at the same time.

Senator CLARK. What rank did he hold in the United States Navy?

Mr. HUBER. Lieutenant, was it not?

Mr. GOSS. I do not know. I never did know that. All that he did in connection with this was to make these later inspections. This was after the commander had passed out of the picture.

Senator CLARK. That was after Commander Strong had left?

Mr. GOSS. Yes.

Senator CLARK. Did you have any business relations with Lieutenant Steese?

Mr. GOSS. Absolutely none.

Senator CLARK. Did you get Mr. Decker to phone him? You said that you would get him the telephone number.

Mr. GOSS. I told Mr. Huber that it might be worthwhile to have somebody call him—that paragraph speaks for itself.

Senator CLARK. I understand, but you say—

> We may be able to get permission to have Mr. Decker phone a United States naval officer * * *.

Did you get permission to have Mr. Decker phone a United States naval officer?

Mr. GOSS. What I meant by that was to get permission from Mr. Steese; no; we did not.

Senator CLARK. You mean that you were to get permission—your letter—

> We may be able to get permission to have Mr. Decker phone a United States naval officer * * *.

That would seem to indicate that you would get permission from Mr. Steese.

Mr. GOSS. From Mr. Steese, exactly.

Senator CLARK. Did you get that permission?

Mr. GOSS. No; we did not. I do not remember whether we could not get him on the telephone or why it was.

Senator Clark. You did not seek permission from Mr. Steese to get his reference?

Mr. Goss. I think we sought it, but I do not think we succeeded in locating him.

Senator Clark. I mean, did you talk with Mr. Steese and ask him for permission?

Mr. Goss. I do not believe that we did; I am not sure. There was absolutely nothing more there than appears on the surface. He had nothing to do with either us or Federal and never asked for or received anything for this.

Senator Clark. Do you know whether Decker did call him?

Mr. Goss. No; I do not.

Senator Clark. Do you know, Mr. Huber?

Mr. Huber. I do not think he did.

Mr. Goss. I do not even know whether Mr. Huber's brother asked him to.

Mr. Huber. My brother is very timid and I do not think he would even to try to do that. That is my opinion.

Senator Clark. Colonel, I now call your attention to a letter dated June 8, 1932, from La Paz to the Export Consolidated Co., which I will offer as "Exhibit No. 771."

(The letter referred to was marked "Exhibit No. 771" and is included in the appendix on p. 2055.)

Senator Clark. This letter is from Pietro Lucomo and it is addressed to the Export Consolidated Cos. I believe that refers to Mr. Huber. The letter reads:

> I have had the pleasure of knowing your firm thru the medium of a distinguished official of the Army, who appreciates your offer of the 7th of April for the sale of tear-gas grenades and explosive bombs of various sizes and classes.

Do you know who that was? Do you know what officer of the Army that was?

Mr. Huber. June 8, 1932? That was before I was connected with the Lake Erie Chemical. That must have been Federal Laboratories.

Senator Clark. You were then representing Federal Laboratories?

Mr. Huber. Working with Jonas; yes.

Senator Clark. Were you Jonas' partner in the Export Consolidated Co.?

Mr. Huber. No. We were partners in the Federal Laboratories business—supposed to be.

Senator Clark. Who is the Export Consolidated Co.?

Mr. Huber. That is myself.

Senator Clark. That is yourself?

Mr. Huber. Yes.

Senator Clark. And this letter was addressed to you?

Mr. Huber. Yes.

Senator Clark. Do you know who the "distinguished official of Army" was? Was it a distinguished official of the Bolivian Army?

Mr. Huber. I have no idea.

Senator Clark (reading):

> * * * who appreciates your offer of the 7th of April for the sale of tear-gas grenades and explosive bombs * * *

Mr. Huber. It might be possible that Jonas wrote that letter—no; I dictated that letter myself. [Referring to letter:]

Senator **Clark**. Yes; it has your initial on it.

Mr. **Huber**. That is right.

Senator **Clark**. You do not know who the army official was?

Mr. **Huber**. I have no idea who he was. I do not even remember the man's name—Pietro Lucomo—I do not know who he is.

Senator **Clark**. He says:

> The object of the present letter is to ask you in the character of particular urgency, if you can and care to supply this material to the Government: Hand bombs of asphyxiating gas in the quantities of approximately 80 to 100,000 and hand bombs of tear gas?

Do you recall anything about that transaction, Mr. Huber?

Mr. **Huber**. I do not. The only thing I recall is that I had no business with Bolivia.

Senator Clark (reading):

> In order not to lose a great amount of time in correspondence, in case that you accept to send me your proposition and offer, please fix your prices in order to include 3-percent commission for me and 4 percent for expenses of influence and propaganda. * * *

Do you know whether 4 percent for influence and propaganda is customary in Bolivia and other South American countries?

Mr. **Huber**. I think that is getting off cheap.

Senator **Clark**. Three percent to the agent and 4 percent for influence and propaganda.

Senator **George**. Can you break that down, Senator?

Senator **Clark**. Can you break that figure down any further as to how much is influence and how much is propaganda?

Colonel, I call your attention to another letter, dated February 12, 1934, from W. K. Smith to yourself, which I offer as "Exhibit No. 772."

(The letter referred to was marked "Exhibit No. 772" and is included in the appendix on p. 2056.)

Senator **Clark**. This is addressed to Col. B. C. Goss, president of the Lake Erie Chemical Co., and reads:

> **Dear Colonel** Goss. I wish you would refer to our correspondence held while I was in Shanghai. I managed to get a G$5,800 sample order from Nanking, for the Federal Laboratories, so they immediately sent a representative, slashed 20 percent off the prices, and left me on a limb, with the Ministry, for overcharging—and I used the list prices only—allowing cumsha here and there.

What is cumsha? What do you understand by that?

Mr. Goss. I have not learned Chinese yet, Senator.

Senator **Clark**. We have had a great many trade terms used here, expressions in the trade, baksheesh in Turkey and greasing the ways in regard to certain naval contracts, and doing the needful and doing the necessary. Do you understand baksheesh to fall in the same category?

Mr. Goss. I have no doubt that it is synonymous with greasing.

Senator **Clark**. That is what I supposed, but I wanted to get your understanding of it when you received this letter. This man continues:

> I am technical director and adviser to this Government, and with this Province are four other Provinces, totaling 100,000,000 people. I recently took a commission of military heads to the Philippines, and for no good or particular reason have access to business which would be mutually advantageous. Permits, or huchaos from Washington and locally are obtainable by me.

What does that mean?

Mr. Goss. Huchaos—that is permits.

Senator Clark (continuing):

> * * * but we wish to do business direct—and if I can't, then we have to go to Czechoslovakia and Germany.
>
> Will you kindly permit me to place an initial and sample order, with the same understanding we had before. We have a monopoly on petroleum oils and can do the same on various military supplies if you are in a position to work for me.
>
> Sincerely yours,
>
> W. K. Smith.

Who is W. K. Smith, Colonel?

Mr. Goss. Well, he is an American who lives in China and is in business for himself.

Senator Clark. He seems to be in business for himself, even while he is the technical adviser to the Government.

Mr. Goss. We first came in contact with him when he was with the Chinese Supply Corporation. We had offered him a trial agency out there. In other words, we told him that we would give him a special discount on samples for demonstration, and so forth, and then later, when this Chinese mission came over here, we made this contract which you presented yesterday directly with the Chinese Government. They asked us particularly at that time not to appoint any exclusive agent in China because they wanted to deal directly with the management and they did not want to pay any—what is the word, cumsha?

Senator Clark. I am not certain if that is the correct pronunciation.

Mr. Goss. I am not, either. So we wrote Mr. Smith again saying that nothing had happened about the other thing in the meantime, and we wrote him again saying we could not go ahead with the proposition, that we had originally made.

Senator Clark. You took this letter from Smith to be a barefaced offer of a man in a responsible Government position over there, representing four or five Provinces which he said had a population of 100,000,000 people, to use his official position with the Government to make a business arrangement with you and split the profit. That is what this letter amounts to, is it not?

Mr. Goss. He has a company of his own there, too.

Senator Clark. He refers to himself as the technical director and adviser to this Government, and says that he can control this business with 100,000,000 people in these five provinces. The proposition simply amounted to a proposition to you that he will use his official position to throw business to you and will split the proceeds. That is the way you took that proposition, is it not, Colonel?

Mr. Goss. No; I don't know anything about what his arrangement is in China, or what part of his time he devotes to this Interior department. He says he is technical director.

Senator Clark. He says:

> I am technical director and adviser to this Government, and with this Province are four other Provinces, totaling 100,000,000 people. I recently took a commission of military heads to the Philippines, and for no good or particular reason have access to business which would be mutually advantageous. Permits or huchous from Washington and locally are obtainable by me; but we wish to do business direct, and if I can't, then we have to go to Czecheslovakia and Germany.

Doesn't that mean simply that it is a proposition that if you did not split with him he would throw this business to Germany or Czechoslovakia?

Mr. Goss. No; if that is an inference he is doing something crooked, I cannot say that, because we have previously had correspondence with him on letterheads of private companies he was also interested in. There are a great many people who are giving technical advice to our own Government who are in their own private business. He was in business there, and the proposition whether he had a right to engage in this outside business was something that I could not pass on.

Senator Clark. He then says:

> Will you kindly permit me to place an initial and sample order, with the same understanding we had before?

What was that understanding you had before?

Mr. Goss. For the special discount on samples, and the agency arrangement.

Senator Clark. That was when he was at Shanghai?

Mr. Goss. Yes; that is right.

Senator Clark. At that time, of course, you knew he did not have any private business?

Mr. Goss. At that time he had written us on private letterheads also, indicating that they were companies with which he was connected.

Senator Clark. At the time he was in Shanghai he was an individual trader and had no official connection, then?

Mr. Goss. That is right, and at the time he was down here at Canton he was still writing on individual letterheads, indicating that he was in an individual business.

Senator Clark. We had yesterday a definition of "Grape Vine", and I will call your attention to this letter dated May 14, 1934, from F. V. Huber to Mr. George W. Pay, which letter is offered as an exhibit under the appropriate number.

(The letter referred to was marked "Exhibit No. 773" and is included in the appendix on p. 2056.)

Senator Clark. Who is Mr. Pay?

Mr. Huber. He is treasurer of this company.

Senator Clark. This letter reads as follows:

> Dear Mr. Pay: Replying to your letter of the 9th my commission on the Colombian bombs will be something over $5,000 plus about $3,500 gross profit on the bomb hoists and bomb sights, which profits were to be split evenly after deducting whatever amount I have to pay the Grape Vine.

Who was the Grape Vine?

Mr. Huber. That was a Colombian who was supposed to help me get the business.

Senator Clark. Did he have any official position?

Mr. Huber. At that time he did not.

Senator Clark. Had he previously held any official position?

Mr. Huber. Previously he had been in the Army, and subsequently he was recalled again, I understand.

Senator Clark. Why did you call him the "Grape Vine", then?

Mr. Huber. It is always pretty good policy not to mention the man's name. The facts are, I did not pay him any commission on that order. I had promised to pay him 1¼ percent. but he did not do anything for me, and he went back into the official service again and never came back, and I never saw him again. I understand he is back in Colombia.

Senator Clark. Now, Mr. Huber, I direct your attention to a letter dated February 15, 1933, from yourself to the Lake Erie Chemical Co., which letter I offer as an exhibit under the appropriate number.

(The letter referred to was marked "Exhibit No. 774" and appears in full in the text.)

Senator Clark. In this letter you state:

> We are pleased to inform you that we have named Mr. Gumersindo Suarez, our representative for the Republic of Cuba, as per copy of the agreement sent you last week.
>
> As this business is entirely political, please note that we have quoted Mr. Suarez 25 and 5 percent on police equipment, and 20 and 5 percent on the military equipment.

Did that mean it required more influence to sell the police department than the military department?

Mr. Huber. If you will refer to my contract you will see that the same thing is in my contract with the Lake Erie, that on police equipment they give a larger discount than on military equipment.

Senator Clark. Why is that?

Mr. Huber. The profit on military equipment is smaller.

Senator Clark. It has nothing to do with the volume of business?

Mr. Huber. No; the volume of business is greater in military than police equipment.

Senator Clark. The letter then says:

> The firm of Riera, Toro & Van Twistern, are power behind the throne and we have given them a confidential 5 percent on the net for their efforts in obtaining the business for us. They work hand in glove with Suarez, who actually obtains the orders in his name.

Who are Riera, Toro & Van Twistern?

Mr. Huber. They have an office in New York, and they also operate in Cuba, and I also understand they made some war materials for the Cuban Government, such as loaded shells and bombs.

Senator Clark. That is the reason you did not want to take the order in your name?

Mr. Huber. No; that is not the reason.

Senator Clark. The letter reads further:

> Riera, Toro & Van Twistern own the foundaries in which the Government manufacture bombs and shells, and therefore are on the inside track.
>
> The balance of the commission is to be reserved for Captain Vascones, in order to help repay some part of his expenses incurred on his trip to Cuba.

Who is Captain Vascones?

Mr. Huber. He is an Ecuadorian who went to Cuba from Lake Erie on his own account some time before I was connected with the Lake Erie.

Senator Clark. Was Vascones employed in Cleveland by the Lake Erie Co.?

Mr. Goss. No, sir.

Mr. Huber. He was just a commission man who went to Cuba in September or October, I think, of 1932. He did not do any business, and I told him I would reserve some commission for him if any business developed in the next 6 months due to his efforts down there.

Senator CLARK. You say further:

> If Cuba buys any equipment, we feel confident that our combination will get the business in spite of everything and everybody, and we feel further assured that Federal cannot get as strong a combination because of the fact that there was too much double-crossing on the last order placed.

Why did you feel certain you were going to get the business in spite of everything and everybody?

Mr. Huber. That was explained in the last couple of days. Demestre was purchasing agent for the Government on materials and supplies, and Gubersino Suarez, who is in the uniform and equipment business, had been working together intimately with Demestre and, in fact, Demestre recommended Suarez to us.

Senator CLARK. Demestre was the purchasing agent for the Cuban Government?

Mr. HUBER. Yes, sir.

Senator CLARK. And he recommended Suarez to you as your agent?

Mr. HUBER. Yes, sir.

Senator CLARK. And you knew if you did not get your business through Demestre you would never get it, so naturally, having employed the man recommended by Demestre, the purchasing agent, you felt you had the inside track?

Mr. HUBER. Certainly.

Senator CLARK. Now, Mr. Huber, I call your attention to a letter dated April 27, 1933, which is offered in evidence as an Exhibit.

(The letter referred to was marked "Exhibit No. 775" and is included in the appendix on p. 2056.)

Senator CLARK. This letter says:

> DEAR COLONEL: I tried to get them (Consul) committed by telling me what specifications he wanted on the 600, but as he said they would have to be the same as Federal's 1100, etc., I smelled a rat and tried to reach you on the phone from 9:30 to 12 last night at home but no one answered. I then coerced the consul into leaving this matter entirely to Steese and that you and Steese would have to settle specifications, etc. I feel sure that Federal uncovered the mouse to him and he might insist with Steese to go back on his agreement of supplying an arc-welded bomb so that you would have the chance to get S.eese compromised to accept them, in writing.

What does that mean, Mr. Huber?

Mr. HUBER. In the manufacture of the large-size bombs, the 1100 and the 600 bombs, there are two ways of making them: One is to have a one-piece forging and the other is three pieces welded together. We had quoted on a three-piece welded bomb, and the colonel had talked it over with Mr. Steese and, as I remember, he said that would be all right.

Mr. Goss. He asked if that was Army specifications, I think.

Mr. HUBER. I had learned in the meantime that Federal were supplying the one-piece, 1100-pound bomb, consequently that would obligate us to supply the one-piece 600-pound which at that time we were not prepared to do, and we had been quoting on a three-piece 600-pound.

Senator CLARK. How did you coerce the consul?

Mr. HUBER. He kept insisting on Army specifications, and I argued with him that neither he nor I knew what was the best thing to do, and that he should leave the specifications on such matters to Mr. Steese.

Senator CLARK. What form of coercion did you use?

Mr. HUBER. As much pressure as I could bring on him.

Senator CLARK. You do not mean threatening violence?

Mr. HUBER. No; of course not.

Senator CLARK. What does this mean? You trying to get Steese compromised to accept them?

Mr. HUBER. Compromised in writing is what it means, because he had verbally told the colonel that the three-piece bomb had been made by the other company, and if we could get that in writing and show it to the consul it would be sufficient.

Senator CLARK. That was not compromising Steese, was it, to get in writing a specification?

Mr. HUBER. That is what it means.

Senator CLARK. That is not the usual meaning of compromising an Army officer or a naval officer.

Mr. HUBER. That is what it means, though.

Senator CLARK. What you say in this letter is that you would like to get him compromised in a letter.

Mr. GOSS. That is just loose language, but that is frequently used. You are negotiating a contract, and you get the thing down in writing so that they cannot go back on the terms of the contract.

Senator CLARK. Then they are not compromised; they are committed.

Mr. GOSS. I say that is loose language, but it is frequently used in that way. There are alternative specifications on those big sizes, and both ways are Army specifications. I think that is a complete picture.

Senator CLARK. I next have a letter dated May 29, 1933, from Mr. Goss to Fred V. Huber, which is offered in evidence.

(The letter referred to was marked "Exhibit No. 776" and is included in the appendix on p. 2057.)

Senator CLARK. In this letter you say the following:

> Inspector Steese was here this morning for final inspection of the Siam bombs before shipment and complimented us very highly on the work; in fact, he told me this morning that coming here to inspect our work was a vacation for him, as it was beautiful work and that he was going to tell the commander so.

Who is the commander? Is that Commander Strong?

Mr. HUBER. Yes, sir.

Senator CLARK. Steese was working under Strong?

Mr. HUBER. Yes, sir.

Mr. GOSS. If it is all right with the committee, I would not like to have those comments on a competitor's work quoted. It is all right with me for you to do so, but if the committee thinks it is all right I would rather have them omitted.

Senator CLARK. Then this letter continues further:

> I do not know what use we can make of this information, as Steese is a Navy man, and a very fine fellow, and I certainly do not want to get him into any jams by quoting him. However, it might be possible in case of a close decision regarding some future order, to have someone call him on the phone, simply saying that they "understand he had been an inspector on some of our work", and he might not object to verbally giving them an opinion on the relative merits. His address is J. M. Steese, care of Bellanca Aircraft Corporation, New Castle, Delaware.

I believe you said you had no direct arrangement with Steese to that effect?

Mr. Goss. We suggested one time that someone call him, but I do not know whether he was called or not. I think the paragraph speaks for itself.

Senator Clark. There was no relation between you and Steese except he was an inspector and liked your work?

Mr. Goss. Yes, that is correct; and I would like that letter to go in, because it is good evidence in his behalf.

Senator Clark. I am putting the letter in for the reason that it does speak in behalf of Mr. Steese, whose name has been mentioned here.

Now, Mr. Goss, you have attempted to bring some influence against legislation as to embargoes, and so forth?

Mr. Goss. I had a telegram sent to a friend of mine in the American Legion down here.

Senator Clark. I call your attention to a letter dated January 10, 1933, from yourself to Mr. Huber, which is offered in evidence.

(The letter referred to was marked "Exhibit No. 777" and is included in the appendix on p. 2057.)

Senator Clark. The first paragraph of this letter I would like you to explain. It says:

> I meant to discuss with you further the subject of this big quotation on the 50,000 bombs and fuses to United Aircraft, but in the press of other matters, forgot it until I was on my way to the train.

What was that negotiation? Was that when they were trying to get you to ship some bombs down on the guano boats?

Mr. Goss. No; that was to Peru, the guano boats. This is 50,000 bombs that Brazil had asked quotations on, through the United Aircraft.

Senator Clark. Did you do any trading with them?

Mr. Goss. No.

Senator Clark. With the United Aircraft on that?

Mr. Goss. No; that order never went through. That was the time they bought a lot of aircraft, and they were going to buy a lot of bombs to go with them, but they never did.

Senator Clark. Then, you say:

> In regard to the telegram you sent me yesterday regarding the arms embargo bill, the most powerful lobby in Washington is that conducted by the American Legion.

This letter is dated January 10, 1933, and that would have been the embargo proposed by President Hoover, which was afterward filibustered to death by Senator Bingham?

Mr. Goss. Well, I know the measure was up before Congress, but I don't know who had proposed it.

Senator Clark. You say further:

> Immediately upon receipt of your wire, I had a telegram sent to Traylor, who is head of the American Legion lobby, by the Ohio State commander of the American Legion and the national commander of the "40 and 8", which has probably a million members, requesting that every ounce of pressure be brought to bear to stop any such foolish action and stating that the only possible result of such a bill would be to throw all of this business to European manufacturers at the expense of American industry. I cannot believe that even our Congress would be dumb enough not to see this themselves.

Who was the American Legion official in Ohio whom you referred to?

Mr. Goss. That was Mr. John Elden.

Senator Clark. He was president of the National 40 and 8?

Mr. Goss. He was also national commander of the 40 and 8.

Senator Clark. You do not know whether Taylor ever acted on this suggestion of your friend?

Mr. Goss. I understand that he did. I understand the American Legion put in a protest, but I don't know what effect this telegram had on it.

Senator Clark. As one of the past commanders of the American Legion, I take occasion to say at this point that any official of the American Legion who would be engaging in such propaganda in behalf of munitions manufacturers is a disgrace to the order and should be expelled. And if Colonel Taylor ever gave this assistance, which he denies, he ought to be expelled for prostitution of the American Legion.

Mr. Goss. Mr. Chairman, may I make a statement?

The Chairman. Yes; certainly.

Mr. Goss. Is it the purpose of this investigation to present a true picture of both sides of this situation, or is it to establish a case for one side?

The Chairman. I think it has been demonstrated that the committee wants the facts, and it is not afraid for it to strike on whichever side it may.

Mr. Goss. Then I would like to make a statement.

Senator Clark. If you will wait until I conclude my examination, we will be glad to hear you.

The Chairman. The door is not going to be closed against your saying anything you want to say.

Mr. Goss. All right, sir.

Senator Clark. Mr. Huber, I call your attention to a letter dated October 11, 1933, which I offer as an exhibit under the appropriate number.

(The letter referred to was marked "Exhibit No. 778" and is included in the appendix on p. 2058.)

Senator Clark. In the second paragraph you say:

> Everything is based on politics in these countries and I have to make sure that I have the combinations and therefore have to move with caution because there are dozens of politicians who are always after a commission, and if you don't watch your step you will not get any business.

It is correct that in these South American countries business is based on politics?

Mr. Huber. It is based on paying some commission, and that is usually through somebody that is friendly with the powers that be.

Senator Clark. Sometimes even the powers that be themselves.

Mr. Huber. Why, yes.

Senator Clark. I show you another letter, which is dated January 16, 1934, addressed to Mr. H. A. Grundler and which letter is offered in evidence under its appropriate number.

(The letter referred to was marked "Exhibit No. 779" and is included in the appendix on p. 2059.)

Senator Clark. Who is Mr. H. A. Grundler, to whom this letter is addressed?

Mr. **Huber**. He is plant superintendent.

Senator **Clark**. In this letter you say:

> You realize the trouble consists in fixing Strong, as I am confident that Steese approved our specifications in detail and had them all clear with the colonel.

What do you mean by "fixing Strong"?

Mr. **Huber**. I think there is another letter in the files on that, in which Commander Strong handed a memorandum to the consul, objecting to certain specifications on bombs that had already been completed.

Senator **Clark**. This was after Strong had left the United States Navy and was acting as purchasing agent for Colombia?

Mr. **Huber**. Yes; he had left the Navy.

Senator **Clark**. He was acting as purchasing agent for Colombia?

Mr. **Huber**. No; he was acting as technical adviser. The purchasing agent was here in the United States.

Senator **Clark**. What do you mean by saying in this letter, "the trouble consists in fixing Strong"?

Mr. **Huber**. I had never tried to fix Strong, and it seemed to me Strong was trying to put a spike in our business.

Mr. Goss. I think I can explain that.

Senator **Clark**. All right; go ahead.

Mr. Goss. I told you the story yesterday of how we had agreed to pay Mr. Strong 5-percent commission before we knew what his position was, and we then later notified him that was no longer in effect, and he absolutely did not like that idea.

Senator **Clark**. You mean he did not like being cut off from the commission?

Mr. Goss. That is right. That was our assumption, at least. This man, Steese, was inspecting the stuff and approving it, and it seems Strong or someone was trying to keep the order from being accepted after it had been made up.

Senator **Clark**. The statement in this letter is, "the trouble consists in fixing Strong."

Mr. Goss. I think Mr. Huber meant here that we might have to fix him if we were to get the order through, but we did not do it, and stood on our rights.

Senator **Clark**. You say, Mr. Huber, reading further along from the letter:

> I received the official order from the Government of Honduras for 500 fragmentation bombs at $27, but another letter from the inside secretary to charge them $50.

Who is the inside secretary?

Mr. **Huber**. That is another Honduran.

Senator **Clark**. Is he still in that position?

Mr. **Huber**. At that time he was, but I do not know whether he is now.

Senator **Clark**. What do you mean by calling him "inside secretary"?

Mr. **Huber**. That is more or less grapevine.

Senator **Clark**. What was he secretary of?

Mr. **Huber**. Nothing that I know of particularly. He might have been secretary to the president.

Senator CLARK. You had something in mind when you called him "inside secretary"?

The CHAIRMAN. Wouldn't that be Secretary of the Interior?

Mr. HUBER. No; but he incidentally had some influence in Honduras.

Senator CLARK. Reading on further in the letter, you say:

> In the same order to the U.S. Ordnance Engineers is included $3,000 worth of cartridges on which I personally quoted but I cannot give you any profit on the cartridges as most all of this goes to the gang down there.

Who was the gang?

Mr. HUBER. In this country I guess you would call them your constituents. That is about as good an explanation as I could give for it.

Senator CLARK. Who was the gang you gave all of your profits to? You are not in business for your health.

Mr. HUBER. Absolutely not.

Senator CLARK. What do you mean by saying you gave all of the profits to the gang?

Mr. HUBER. I gave a large part of it. That order called for 25-pound bombs, as I received it, and my record will show that I cabled them to allow me to change the order from 25-pound, which is not standard, to 30-pound bombs, which is a standard fragmentation bomb in the United States Army, and the only standard bomb.

Senator CLARK. This deal in which all of the profit went to the gang happened to be cartridges instead of bombs.

Mr. HUBER. In the cartridges I finally got only $87 out of it.

Mr. GOSS. You see that was under our advice.

Senator CLARK. I understand, but you say all of the profit went to the gang, and I want to find out who the gang was.

Mr. HUBER. I gave you an explanation of that.

Senator CLARK. You mean government officials through whom you had to do business?

Mr. HUBER. I would not say any government official made anything out of it, but it is the fellows friendly with the government officials. In South America you find that in politics there is loyalty to one another, and if a man is born a red he dies a red, and if he is born a blue he dies a blue. They do not switch over, and when they can do anything for their friends they do it.

Senator CLARK. I call your attention to a letter dated New York, November 27, 1933, addressed to the Lake Erie Chemical Co. from you, Mr. Huber, which is offered as an Exhibit.

(The letter referred to was marked "Exhibit No. 780", and is included in the appendix on p. 2060.)

Senator CLARK. In this letter you say:

> Regarding collection of the Honduras account, if the Barr Shipping Corp. made the collection, they would send the papers through a bank, and this is what the Government specifically asked me to avoid on account of the publicity of the situation. In making the collection my brother would only get the cash in lempiras and immediately convert same into a New York draft, the same as he did on the first payment; and you can hold me legally, morally, and financially responsible for this collection, because, if this collection is sent thru a bank, it will be public notice and preclude any future orders, as the President would consider it a breach of confidence. The manager of the Huber Honduras Co. in Tegucipalpa is a brother of the subsecretary of finance, and the President did not even want him to learn about it and took the funds from

the road fund. I explain these details, so that you will get a clear picture of the situation, as the only ones that know of this order and of future orders to be placed are the President, the Chief of Staff, the Minister of War, Edwin, and myself, and if I comply with their request I will be getting additional orders.

What does that mean?

Mr. Huber. It means just exactly what it says. The President said:

> Huber, I will give you a small order at the present time, but I do not want anybody to find out what we are buying except the Minister of War and the Chief of Staff and myself. I want to control everything, in order to have everything right under my nose.

Senator Clark. Did he tell you at that time he was taking money out of the road funds to buy munitions?

Mr. Huber. The President did not, but the Chief of Staff told me.

Senator Clark. I call your attention to another letter, dated June 25, 1934, addressed to Mr. H. A. Grundler, which is offered in evidence.

(The letter referred to was marked "Exhibit No. 781" and is included in the appendix on p. 2061.)

Senator Clark. This letter reads as follows:

> I received the snapshots of the tank. Many thanks.

Were you also selling tanks or preparing to sell tanks, or contemplating selling them?

Mr. Huber. Yes.

Senator Clark. You did not manufacture tanks in the Ordnance Engineers Co.?

Mr. Huber. No, sir.

Mr. Goss. Henry Disston & Sons and the Caterpillar Tractor Co. were cooperating in bringing out a convertible tank which could be used for all kinds of road work in peace time and could be converted easily into a tank with an armored body, which was detachable, and could be used to quell revolutions, and so forth, or in war, if occasion arose, the same chassis being used.

Senator Clark. Did you have the agency for the tank?

Mr. Goss. Yes, sir.

Senator Clark. You were not manufacturing, but you were prepared to take orders where you could sell them?

Mr. Goss. Yes, sir.

Senator Clark. Do you still have that?

Mr. Goss. Yes, sir.

Senator Clark (continuing reading):

> I received the snapshots of the tank. Many thanks. I also received from Ailes the note regarding Colonel Hoffman from Cuba and the inquiry from Healey in Boston. It is not necessary to go into details to explain to Mr. Wilson that the facts are that Texidor is Federal's agent is Cuba and is simply trying to double-cross us.

Was Texidor negotiating in some way with you, Mr. Huber?

Mr. Huber. Not direct.

Senator Clark. What do you mean by saying he was trying to double-cross you?

Mr. Huber. Hoffman wrote a letter——

Senator Clark. Who is Hoffman?

Mr. Huber. A man in Cuba, an American, I understand, who wrote a letter to the factory and said he was working very closely with Texidor.

Senator Clark. That was on the sale of bombs or the sale of gas, or what?

Mr. Huber. Yes; and said he wanted our agency, and the factory, without any comment, sent the letter to me, and I sent it to Mr. Richardson in Cuba to dispose of it.

Senator Clark. Before that you said Texidor was trying to double-cross you. You said [continuing reading]:

> He was representing Remington and tried to get Winchester compromised and it is therefore necessary that none of you make any commitment on these foreign connections until you consult me as I know most of the detailed dirt.

What did you mean by "detailed dirt"?

Mr. Huber. Just that. When Elmslie Jonas was down in Cuba, Texidor tried to get him to give him the Winchester agency, and Elmslie felt certain he already had the Winchester agency, and therefore thought that Texidor was trying to tie up both companies, to be sure to get the business.

Senator Clark. You used "to compromise" in the same sense as before, to tie up, instead of the ordinary acceptation of the term "compromise", didn't you?

Mr. Huber. Yes.

Senator Clark. You say, then [reading]:

> I will, however, advise Richardson, who might be able to get Texidor to cross Federal——

Mr. Huber. Sure.

Senator Clark (continuing reading):

> if Richardson thinks that Federal are still competitors in Cuba.

In other words, you wanted to get the Federal agent to double-cross them?

Mr. Huber. I knew he was trying to do it.

Senator Clark. You were trying to make arrangements for that?

Mr. Huber. If we made any arrangements with him, it was a question of whether he would double-cross us or double-cross Federal.

Senator Clark. You say [continuing reading]:

> I will, however, advise Richardson, who might be able to get Texidor to cross Federal, if Richardson thinks that Federal are still competitors in Cuba.

Mr. Huber. If we could have gotten the business through Texidor, we would have certainly taken it.

Senator Clark. You were perfectly willing to use that agent in Cuba to double-cross them, if you could?

Mr. Huber. I knew he was willing to do it with us.

Senator Clark (continuing reading):

> Richardson thinks they are not, but I do not agree with him and we still have to battle.

That means, in competition in Cuba?

Mr. Huber. That is right.

Senator Clark. What is the fact about that?

Mr. Huber. I think from the amount of business they get, they are very much competitors.

Senator **Clark**. You state:

> but I do not agree with him and we still have to battle.

Is that Colonel Hoffman, the same Colonel Hoffman who recently got in trouble in Cuba as a gun runner?

Mr. **Huber**. Yes, sir.

Senator **Clark**. Did you ever have any business relations with him?

Mr. **Huber**. No, sir.

Senator **Clark**. Did you ever have anything to do with any gun running in Cuba or in any other South American country?

Mr. **Huber**. No; positively not.

Senator **Clark**. I call your attention to a letter dated New York City, April 14, 1934, which I offer for appropriate number. This is signed by S. M. Riis, shipowner and commander.

(The letter referred to was marked "Exhibit No. 782" and is included in the appendix on p. 2062.)

Senator **Clark**. This letter, "Exhibit No. 782", is addressed to Mr. F. V. Huber, export manager, the Lake Erie Chemical Co., 21 West Street, New York City.

> Dear Mr. Huber: Referring to our recent conversation regarding possible cargo of "war material" to one of the South-Central American ports, I herewith make a firm offer to carry this cargo, on following basis:
>
> "(*a*) Ready loading, within ten days' notice, any port on the East coast, U.S Cargo to be loaded free in.
>
> "(*b*) The ship will be employed only for your cargo. No other cargoes will be carried. Discharging in one or two ports, or in any sheltered navigable inlet, or on high seas (weather permissible), according to previous arrangements made as to 'rendezvous.' Cargo to be discharged free out.
>
> "(*c*) The charge for carrying this cargo will be made in lump sum. Total not exceeding $20,000—payable 50 percent upon signing of the contract and the balance of 50 percent when the whole cargo has been loaded on board, before departure from U.S port. This charge covers cargo in weight up to 600 tons, dw.
>
> "(*d*) The unloading and receiving of cargo must take place within 24 hours upon arrival at port of discharge or rendezvous, after the receivers have been properly notified by the captain or owner of ship. The demurrage on both sides, for failure to have ship ready to load or for failure for receivers to be ready, ready to discharge and receive the cargo, within specified limits herein stated, shall be $100 per each 24 hours of delay.
>
> "(*e*) It is understood and anticipated that the M/S *Catharina* will be employed to carry this cargo, but if for any reason she will not be available the owners have the right to supply a substitute. I will personally take command of ship and delivery of cargo in any case. One agent of receivers or senders can accompany the ship, but he must leave the vessel as soon as cargo is discharged.
>
> "(*f*) The owner and captain shall not be responsible for any damage or loss of cargo, in case such damages or losses were incurred in order to protect life and property while at sea or in port. The usual 'Force Majore' clauses will apply, as well. This is necessary because of the unusual character of the cargo."

It clearly refers to a gun-running proposition, does it not?

Mr. **Huber**. No, sir.

Senator **Clark**. It refers to a munition-running proposition, does it not?

Mr. **Huber**. No, sir.

Senator **Clark**. What was the negotiation this had to do with?

Mr. **Huber**. The Colombian Government, as it has been brought out, has purchased a considerable quantity of aerial bombs, and they were at that time figuring on how they could get them, because it is only a freight boat that can carry explosives; and getting a freight boat to Colombia, out of this eastern port, out of the New York area, is not a regular run, and they had to make some special arrangements; and Commander Riis, who was an ex-commander, I was informed, and United States naval attaché in Petrograd before the war, happened to be in the office and I was telling him about the difficulties of getting freight shipments out, and he told me he had a boat, the *Catharina*, which could carry the cargo.

I said, "I will see what I can do for you, if you want to carry it. and what it would cost, and so forth."

I paid no further attention to it, and he wrote this letter in confirmation, in case that I wanted to propose this proposition to the Colombian consul and allow him to employ it.

Senator CLARK. Mr. Huber, do you mean to leave the impression with this committee that such language as this could be employed on an ordinary contract, on an ordinary matter, for delivery of bombs to the Colombian Government; that is, making provision for unloading—

in any sheltered navigable inlet, or on high seas * * *?

Mr. HUBER. Yes.

Senator CLARK. That is customary, is it, in the delivery of ordinary consignments of munitions to governments, to unload them in sheltered navigable inlets and on the high seas?

Mr. HUBER. At that time we had no idea what port they were going to. We did not know whether they were going to go to—Cartagena on the Atlantic or Buenaventura on the Pacific, or where they were going to.

Senator CLARK. Did you ever hear of unloading on the high seas a cargo consigned to a government, in selling munitions to South America, Mr. Huber, unless there was something clandestine or illegitimate in the transaction?

Mr. HUBER. I believe it is all right.

Senator CLARK. Is that all right, to unload on the high seas?

Mr. HUBER. Yes; it could be.

Senator CLARK. Or to unload in some sheltered navigable inlet?

Mr. HUBER. Yes, sir. Peru had submarines and Colombia, I understand, had none. In case of war, in my mind, there would not have been any doubt but what Peru would have tried to sink any ship carrying munitions down to Colombia and as the Colombians had some boats there, they could have sent their boats out to meet this boat carrying the material down there and unload the cargo on the high seas, and take it wherever they wanted. My impression at the time was that these boats would be sent up the Amazon River.

Mr. GOSS. May I add a word, Senator?

Senator CLARK. Yes, sir.

Mr. GOSS. I do not know anything about this letter, and never saw it, or do not know what was referred to, but I do know when we found out how we could ship some of this material to Turkey and Rumania; we had conversation with a lot of steamship companies, and we found that the cost was going to be prohibitive, because you could not even take the boat into the harbor at all in some cases. They stated what we would have to do was to send a lighter outside the harbor to transfer the cargo, and wait there until the boat went into the harbor, Greece, for instance, and wait until they came back out, and put it on the ship again, and maybe do it two or three times.

Senator CLARK. That is a different propostion from putting into a neutral port, which probably would not want a ship to come in loaded with munitions of war, but it is different where a ship loaded with munitions is going to a government.

Mr. GOSS. It just occurred to me.

Senator CLARK. Is this a customary proposition, Mr. Huber?

Mr. HUBER. I do not know whether it is customary.

Senator CLARK. Where it says—

> one agent of receivers or senders can accompany the ship, but he must leave the vessel as soon as cargo is discharged.

That clearly meant he did not want the receivers of the cargo, after he got rid of it, to implicate him, did it not?

Mr. HUBER. After he got rid of the cargo, he was free and could come back here or go wherever he wanted to.

Senator CLARK. Is that a customary provision, that the agent of the cargo must leave the ship when the cargo is delivered?

Mr. HUBER. I am not a naval man, and I do not know or understand their phraseology.

Senator CLARK. He reduced this into a memorandum based upon an agreement upon which you entered in your office?

Mr. HUBER. No.

Senator CLARK. He says, "In pursuance of a conversation."

Mr. HUBER. I think not. He said he would write me and tell me under what conditions he could do it.

Senator CLARK. He refers to the unusual character of the cargo.

Mr. HUBER. That means explosives.

Senator CLARK. There is nothing unusual about shipping explosives to South America, is there?

Mr. HUBER. Oh, yes.

Senator CLARK. We have been hearing about shipments to Central and South America for nearly 3 weeks, and I would say there is nothing unusual about it.

Mr. HUBER. You try to get transportation to South America on explosives and see what difficulties you run into.

Senator CLARK. You think that it is a normal transaction to put into sheltered inlets, sheltered navigable inlets, or to discharge on the high seas?

Mr. HUBER. Absolutely.

Senator CLARK. Have you a question, Mr. Wemple?

Mr. WEMPLE. Mr. Huber, what is ex-Commander Riis' business today?

Mr. HUBER. Today I do not know what his business is. I met him in 1932. He came into the office and was leaving the next day for a trip through Europe, Poland, Lithuania, the Balkan States, and so forth, and at that time he told me he had the representation of some oil companies, and I do not know what his business is today.

Mr. WEMPLE. Is this ship, the M.S. *Catharina*, that he proposed be used, his own vessel?

Mr. HUBER. It is his own vessel, he says.

Mr. WEMPLE. It is his own vessel?

Mr. HUBER. He says it is. We do not know.

Mr. WEMPLE. Do you know whether he made any similar proposition to any other concern selling munitions?

Mr. HUBER. I do not.

The CHAIRMAN. What flag did he fly on his boat?

Mr. HUBER. I could not tell you that. I do not know. I think he is still in New York. If there is any interest in that, I would be very glad to try to get hold of him.

Senator CLARK. Colonel, with reference to Captain Vascones, I believe you said he was an Ecuadorian, did you not?

Mr. GOSS. He is an Ecuadorian; yes, sir.

Senator CLARK. He had his mail addressed to him in care of Lieutenant Demestre, the purchasing agent of the Cuban War Department, did he not?

I call your attention to a letter from him to Mr. Ailes, of the Lake Erie Chemical Co., dated October 24, 1932, which I offer for appropriate number in the record.

(The letter referred to was marked "Exhibit No. 783" and is included in the appendix on p. 2063.)

Senator CLARK. That letter in part states as follows:

> Last Friday I was with Lieutenant Demestre who is the expert here. I explained to him the difference in fuse construction between the ones he bought and the ones we offer.

That offer was from Federal, was it not, and he was explaining wherein yours were better than Federal's?

He says further:

> He has bought a whole arsenal from Federal.

Do you know what he bought?

Mr. GOSS. Are you addressing me, sir?

Senator CLARK. Either one of you.

Mr. GOSS. All I know is what he says in the letter. He had a number of items.

Mr. HUBER. I understand he bought mostly empty aerial bombs to the total of about $18,000.

Senator CLARK. He states in this letter:

> When I showed him my long-range gun he pulled out one of the Federals.

What was that?

Mr. GOSS. A police gun which shoots gas.

Senator CLARK. What kind of a gun? A pistol?

Mr. GOSS. A gun of about 1½ inches diameter, the kind used by police all over the country.

Senator CLARK. It shoots gas cartridges?

Mr. GOSS. Yes, sir. It shoots two kinds, a gas projectile through a window of a house, for bandits where they are barricaded and it will burst inside the house; and another one which blasts right out of the muzzle.

Senator CLARK. He states further in this letter:

> I immediately showed him the lack of balance of the Fed's. and the fact that it was a converted signal pistol. That seemed to sink. I showed him our universal candle and he brought out a Fed. There I caught him? I left him talk and he convinced me that their candle was larger in size than ours.
>
> I admitted everything. When he finished I took both candles and told him to try to open one of the holes on the side of ours; then I took the Fed-

candle and opened 3 holes. I showed him the patches which are only medical plaster with paint on top. This seemed to make some effect.

Is that the instance referred to when Mr. Young was on the stand, as to your jumping their patent or they jumping yours?

Mr. Goss. Yes, sir.

Senator Clark. In which you accused him of imitating your product?

Mr. Goss. Yes, sir.

Senator Clark. He states further:

> Quote everything calculating my 30 per. If necessary, I will make here the deductions required.

Is 30 percent a normal commission in your business, Colonel?

Mr. Goss. Yes, sir.

Senator Clark. The letter continues:

> Everything moves here horribly slow. The office hours are from 8 to 12:30 in the morning, and everything is—come tomorrow; see so and so, etc.
>
> This morning I'm supposed to see the big shot of the police. As a sideline he is the biggest two-gun Crowley of them all. He is supposed to be the torpedo that manufactures all the corpses needed.

Do you know what success your agent had with this Cuban desperado?

Mr. Goss. He did not have any. He was the chief of police, of course.

Senator Clark. I gathered that. The letter continues:

> I hope he is impressed with our stuff. I am positive to get an order from the staff, but I also want one from the police.

Did he get an order from the police?

Mr. Goss. He did not.

Senator Clark. Mr. Young was pretty well entrenched with the police, was he not?

Mr. Goss. We had a gas order from Cuba, but it was never shipped. It was signed by Colonel Batista, but it is still waiting. That was several months ago.

Senator Clark. Then he gave an address, as follows:

> Captain N. Vascones, %Teniente ____________ De Mestre, Cuartel de San Ambrosio, Para Capt. Vascones, Havana.

Apparently he was living with the purchasing agent, was he not?

Mr. Huber. No; he was living in a hotel, but got his mail out there.

Senator Clark. Then he winds up the letter as follows:

> If I don't sell to the present Government I dare say I might sell to the opposition.

To whom did he sell, Colonel?

Mr. Goss. Nobody.

Senator Clark. Did he not even sell to Lieutenant Demestre, in care of whom he was getting his mail?

Mr. Goss. You can appreciate what these salesmen write in.

Senator Clark. He states further:

> Personally I don't care, as long as they pay cash and we deliver in the U.S.

That was your own notion, was it not?

Mr. Goss. No, sir. I want you to ask me sometime whether we ever did sell to any revolutionists.

Senator CLARK. All right. I would be glad to come to that, Colonel.

What negotiation did you have with former Postmaster General Brown?

Mr. GOSS. What? What? Will you repeat that?

Senator CLARK. What relationship, if any, did you have with former Postmaster General Brown? I call your attention, for the purpose of refreshing your memory, to a letter dated June 12, 1929, signed by Walter F. Brown, taken from your files, addressed to Hon. Roy C. Fitzgerald, House of Representatives. I will ask that that letter be appropriately numbered.

(The letter referred to was marked "Exhibit No. 784" and is included in the appendix on p. 2064.)

Senator CLARK. That letter reads as follows:

> MY DEAR MR. FITZGERALD: Your friend Colonel Goss came to see me today. I believe we can be of some assistance to him when we have completed our reorganization in the Department.

Of what assistance was Postmaster General Brown?

Mr. GOSS. I explained that yesterday, in the beginning when I was explaining our business. We had, for instance, the business of protecting the United States postoffices with locks and combined tear gas, and I frequently went to see whoever was in authority to find out regarding this matter.

Senator CLARK. Was Postmaster General Brown of any assistance to you in the matter?

Mr. GOSS. I do not know what part anybody in the Post Office Department played. I went to see him on various occasions, to call his attention to the fact—you see, this gas was good for 3 years, and we keep records in the office of every installation we have made, there are many, many thousands of them, and there is a card-index system stating when the gas is due for renewal—and from time to time I went to the Post Office Department to call their attention to the fact, and I would take with me something to show the installation and that it was due for renewal, and so forth, and so forth.

At this time and for years before that, and for some time after that, we continued to maintain these vault installations; yes, sir.

Senator CLARK. Are you engaged in that business?

Mr. GOSS. Oh, yes.

Senator CLARK. Mr. Huber, I direct your attention to a letter dated September 9, 1933, from Managua, Nicaragua, addressed "Dear Colonel."

I will ask that that be appropriately numbered.

(The letter referred to was marked "Exhibit No. 785" and is included in the appendix on p. 2064.)

Senator CLARK. This refers to your efforts to sell machine guns. Does that refer to the Hyde gun?

Mr. GOSS. Where is that place?

Senator CLARK. Toward the bottom of the page, about eight lines up. It says:

> I have shot about 1,000 rounds with the sample I brought along and find practically no recoil but several defects, viz, when the gun is cocked and placed on safety it sticks and if you force it off of safety it discharges the

cartridge. Dangerous. On rapid fire it's O.K. but single fire works only sometimes. These C.A.'s

meaning, I take it, the Central Americans?

Mr. HUBER. Yes, sir.

Senator CLARK (continuing reading):

have shot millions of rounds with Thompsons and handle them better than any Chicago gangster. Really they are Thompson experts but lately have taken to a Swiss automatic rifle which shoots 35 7-mm cartridges from one magazine. If these countries had loose cash I could make a cleaning down here for both of us and eventually will get it. I really spurn a $5,000 order because I am convinced they should spend 5 or 10 times this amount in a single order and use every force available but finally—take what they can finance without trouble. On the other hand, it's the same old "manana" that gets my goat—so much silly delay on their part—and I lose a lot of time unnecessarily.

Do you regard it as a silly delay when they did not put in an order for $40,000 of $50,000 a clip?

Mr. HUBER. They would tell you one day that everything was fine and they would sign the order tomorrow, which might be 3 weeks.

Mr. GOSS. Or 3 years.

Senator CLARK. You have maintained very personal relations with various Presidents down there, have you not?

Mr. HUBER. Yes. I lived for several years there, and knew the President of Nicaragua and also the President of San Salvador and the President of Honduras.

Senator CLARK (reading):

I will need a few long-range smoke shells for Guatemala, but will wire you how and when to send them. These countries are all under martial law or a state of siege and anyone not known could not get by with a simple kit. My samples have been officially confiscated by every customhouse I passed and only through personal friendship with the P's——

That is, the Presidents?

Mr. HUBER. I suppose it means powers.

Senator CLARK. You use the term "Presidents" in the next paragraph. [Continuing reading:]

have I been unable to unconfiscate them. Mexico may prove a joker and get me in jail.

Did that happen?

Mr. HUBER. No; I did not get in jail. I had my samples confiscated, Senator, but as soon as they knew my mission as a salesman, they unconfiscated them.

Senator CLARK. The postscript of that letter reads:

All of the Presidents have bound me, and I promised them not to sell to outsiders, and that we would require destinations on all inquiries. Therefore, before quoting to Con. Sales & Ex., you should have demanded destination, as all political pots are boiling in C.A.

Who was Consolidated Sales & Export?

Mr. HUBER. I have never talked to any of them. I do not know who they are. They were supposed to be an export house in New York who made an inquiry for 1,000 hand grenades and the factory quoted them a price, and I objected to quoting any price until we found out where the stuff was going.

Senator CLARK. Who were all the Presidents down there?

Mr. HUBER. President of San Salvador, President of Honduras, and the President of Nicaragua.

Senator CLARK. Now, Mr. Huber, I call your attention to a letter dated January 23, 1933, addressed to Mr. Ailes, of the Lake Erie Chemical Co., Cleveland, Ohio. He was vice president of the Lake Erie?

Mr. HUBER. Yes.

Senator CLARK. I will ask that that letter be appropriately numbered.

(The letter referred to was marked "Exhibit No. 786" and is included in the appendix on p. 2065.)

Senator CLARK. In that letter you say in part:

> I also acknowledge receipt of the letter from Gumersindo Suarez, of Habana, who is the political fixer for the military crowd, and this military crowd recommended that we give him the agency for Cuba, which I am doing, because, if there is any business in our line during Machado's administration, the military gang will give it to Suarez.

I believe you testified you did that with Suarez in accordance with the request of the military crowd.

Mr. HUBER. Yes.

Senator CLARK. Colonel Goss, I believe you testified that Mr. Decker was the agent for Bolivia. He was a Bolivian consul?

Mr. GOSS. He was consul for Bolivia.

Senator CLARK. He was the consul in New York of the Bolivian Government?

Mr. GOSS. And still is.

Senator CLARK. And acted as their purchasing agent for munitions?

Mr. GOSS. He is still consul, I believe.

RELATIONS WITH LATIN AMERICAN REPUBLICS

Senator CLARK. Now, Mr. Huber, I call your attention to a letter dated April 4, 1934, from you to the Lake Erie Chemical Co., which I will ask be appropriately numbered.

(The letter referred to was marked "Exhibit No. 787" and is included in the appendix on p. 2066.)

Senator CLARK. In that letter you state:

> Please write me a letter that will arrive here this Friday giving me a general outline of a TNT loading plant and the quotation on same. Figuerola claims to have the order sewed up, and wants a general outline, sufficient to make a proposition to the Government to put up a loading plant capable of loading not only the TNT but also the booster tubes and primer detonators. It will also be necessary to furnish a man to set up a plant and teach them how to do the work for a period of 3 months and you will please tell me what charge you would make for this service. It is not necessary to give Figuerola much of an idea of the equipment and machinery necessary, but only sufficient to enable him to make an intelligent proposition to the Government. He still refuses to admit the destination but there is no doubt that it for Peru.

What were your relations with Figuerola at that time, Mr. Huber?

Mr. HUBER. At this time, or a little previous, this Mr. Figuerola had called the factory on the telephone.

Senator CLARK. Had called Cleveland?

Mr. HUBER. Yes, sir; and had asked them for quotation on aerial bombs, and talked to them, and they said, "Get in contact with Huber."

He said, "I won't have anything to do with Huber."

Senator CLARK. Why would not Figuerola have anything to do with you?

Mr. HUBER. I knew him too well.

Senator CLARK. You seem to have the same opinion of Figuerola that your former partner, Mr. Jonas, did.

Mr. HUBER. I have the same opinion of both of them.

Senator CLARK. You state further in this letter:

> From the conversation that I have had recently I am reasonably satisfied that the attitude of the Colombian Government and the Colombian consul toward us is due to the fact that they believe us to have intimate connections with the Peruvians. This is further substantiated by the fact that the chief of police in Colombia, upon meeting Richardson, said: "I understand you sold Peru a lot of stuff." On the other hand, your Colombian negotiations took place after Richardson returned from his trip. There is something definitely wrong with our relations with them, and I authorized Richardson to see Olano—

That was the Colombian consul, was it not?

Mr. HUBER. Yes, sir.

Senator CLARK (continuing reading):

> in Pensacola and find out what he can towards straightening out these relations and will also get Richardson back to Colombia as soon as possible, because there is going to be something doing p.d.q.

What did you find out about that, Mr. Huber? Were your relations with Colombia strained because you had been dealing with Peru, or because they thought you had?

Mr. HUBER. I could not imagine where the trouble was coming from. You will notice this is dated April 4, 1934, and my office is right next door to the Colombian consul, and from the activities going on I knew and was satisfied myself that they were getting some material. The consul, Mr. Escobar, was the acting consul at the time, and very friendly with me, and I asked him for some business, and he kept saying nothing came in. Two days after I wrote this letter, on April 6, I did get an inquiry on the material in question from the Colombian consul, on which we quoted and supplied some stuff.

Senator CLARK. Did you ever do anything with Figuerola on this business which you assumed to be from Peru?

Mr. HUBER. Transactions? No.

Senator CLARK. You gave him a quotation?

Mr. HUBER. The factory gave him a quotation, and some weeks later he would not admit where it was going, but came back and showed the quantities, and that confirmed my opinion that it was for Peru because that was the identical quantity which had been quoted our agent, and I learned about it from our agent in Peru.

Senator CLARK. Then you say in this letter:

> * * * and will also get Richardson back to Colombia as soon as possible, because there is going to be something doing p.d.q.

You meant war, did you not, down there?

Mr. HUBER. Certainly.

Senator CLARK. And you wanted to have an agent on the ground in the event of war.

Mr. HUBER. Absolutely.

Senator Clark. Very properly from your standpoint. Now, Mr. Huber, I direct your attention to a letter of March 21, 1934, to Colonel Goss from yourself, which I will offer as "Exhibit No. 788."

(The letter referred to was marked "Exhibit No. 788" and is included in the appendix on p. 2067.)

Senator Clark. You say in this letter:

> The gas order is quite uncertain because when Richardson was ready to leave Habana a shipment of Federal tear gas arrived in port, although Colonel Batista, who is chief of the Army and actual boss of Cuba, nor any of his agents or assistants knew that such an order had been placed. They signed Richardson's order on March 7th and are quite as upset as we are to find that someone in the War Department had placed an order without knowledge or consent of Batista and his aides. They are investigating the matter and as soon as they find out what they have received they will take up our order. The Federal order was placed before the present Government took office during a time of commotion and disorganization, but now any material ordered must be approved by Batista as they are scared of everyone and have dissolved the National Army, creating the new constitutional army composed of their friends. If the highest officials of the Cuban Government did not know that this order was placed there certainly was no way for us to have found it out, excepting that this fellow Moon in Miami was for in correspondence with you during December and January and I did not get this information from you until February 1st. The other fellow seems to have doublecrossed Moon and made some deal with Federal.

What does all that mean, Mr. Huber?

Mr. Huber. That correspondence with Moon was with the factory and they sent it over to me. I sent it on down to Richardson.

Senator Clark. Does that mean that Federal had sold a consignment to one government and then it was accepted by the next government?

Mr. Goss. Confiscated.

Senator Clark. In the meantime, in other words, one government had been turned out and the successor government which had turned that government out, accepted this consignment?

Mr. Huber. The way I got that story that was evidently connected with this order is that Federal sold to Martinez Saenz, who was Minister of Finance, and the War Department, or the chief of the Army, I would say, found it out. He let it come on through, but when it came into port, he grabbed it and took it over to his barracks. That is my impression. That may not be correct.

However, our order for gas was placed, signed, authorized by General Batista and by Colonel Migoya. They certainly would not have placed an order for gas with us had they known that any other gas was being purchased. We still have the order. We never received the credit. We never had it confirmed or anything else.

Senator Clark. You say, on the second page of this letter [reading]:

> To complicate matters, the heads of the army do not know any Cuban officer by the name of Aguilar excepting one from Santiago, and as far as they know he has not been out of the country recently.

What does that refer to?

Mr. Huber. I spent about 2 weeks trying to chase down this order. I was convinced that it was a contraband order. I came down to Washington on it, chasing up some information. I found a man here in Washington who had some vague ideas about it and who said that a man by the name of Aguilar came up here to inspect this shipment. I happened to have remembered this man's address and called him up in Pittsburgh. This man's home is in Pittsburgh. However, he happened to be in Washington. So I wrote to Richardson and told him to chase up and find out what this man Aguilar was, or who he was, and Richardson confidentially said that there was such an order in the making; they tried to find out who Aguilar was, but the only Aguilar they could find in the army was the Aguilar in Santiago, Cuba. There was a remark passed between Colonel Migoya and Colonel Batista; they said that they would not believe that that fellow would double-cross him, and, further than that, that he had never been out of the country. So evidently it was not that man.

Senator CLARK. You go on in this letter to say [reading]:

> If we are able to prove anything that Young sold merchandise to the supposed to be "outs" of the government we can naturally cook his goose immediately and are bending every effort to get some concrete facts.

Did you succeed in getting any facts?

Mr. HUBER. Nothing more than that until the shipment arrived and then they confidentially told us what it was all about and afterward it was published in the newspapers.

Senator CLARK. You go on in this letter [reading]:

> From my conversation with Mr. Ailes, it is apparent that Captain Moore will be bad medicine for our interests in Cuba.

Captain Moore was the police officer from the New York police department, who was loaned to Cuba for the purpose of training their police in the use of gas; is that correct?

Mr. HUBER. Yes, sir.

Senator CLARK (reading):

> However, Richardson does not believe that Moore was hired by the Cuban Government, but is working for the account of Federal. We will now bend every effort toward getting the credit opened on the machine guns, and after this is accomplished see what can be done on the credit for the gas order. * * *
>
> Capt. Hubert B. Brandlet, of the Chemical Warfare Service, from the 45 Broadway office, said——

That was the Chemical Warfare Service of the War Department?

Mr. HUBER. The Procurement Division; yes.

Senator CLARK (reading):

> said he had an inquiry from the War Department to ascertain who the United States Ordnance Engineers were. I told him that it was a company organized in Ohio as an export selling organization for products manufactured by the Lake Erie Chemical Co., but was completely separate company. Peculiar things have been happening recently, which point very strongly that the Department of Justice is checking up on us, and I assume are doing the same to Federal, so we had better watch our step.

Now, what were those peculiar things?

Mr. HUBER. There was a letter that Mrs. Richardson had received from Mr. Richardson and she mailed it—she lives in New York, and she mailed it to me. There was a very clear address on it—21 West Street, New York. That letter went, as I remember it—I think I have the envelope—it went to the customhouse and was returned to me in an envelope with the customhouse stamp on it. I wondered how in the world that could happen and why and the wherefore of it.

Senator Clark. Had you been engaged in any practices that led you to tell the vice president of the company that "you had better watch your step."

Mr. Huber. No. Just be cautious of anything that may come up.

Senator Clark. Nothing that you had been doing, but you were just warning him not to do anything in the future that might get you into trouble?

Mr. Huber. Neither one of us had any intention of doing anything like that. But it was just a caution not to get tripped up on something technical.

EVASION OF EXPORT LICENSES

Senator Clark. Colonel, I direct your attention to another letter from Mr. Smith, dated Hong Kong, May 6, 1933, which I will offer as "Exhibit No. 789."

(The letter referred to was marked "Exhibit No. 789" and is included in the appendix on p. 2068.)

Senator Clark. Is this the letter that you referred to a while ago?

Mr. Goss. Yes.

Senator Clark. This is written on the letterhead of the China Supply Corporation and it is addressed to the Lake Erie Chemical Co., Cleveland, Ohio, attention Colonel Goss.

This is evidently not the first letter from Mr. Smith.

Mr. Goss. No.

Senator Clark. You had had some sort of negotiations with him before?

Mr. Goss. That is right.

Senator Clark. The letter reads:

> The Corporation Securities Underwriters, etc., closed their doors last December, and I fled from the harrowing scene months before.
>
> Arriving here a month ago, and finding there is plenty of market, in addition to a splendid means of access to the Canton powers I intended writing you to send any news, or prices changed to me here.
>
> I have sent to Shanghai to have them forward my catalogs, and as no Huchaos is required into this port, and it is not a part of China, you need have no hesitancy in letting me have anything we open credit for. Hong Kong is a British open port, and we get the material into Canton without giving President Roosevelt any more worries.

What he meant by that was that you could get those things into a neutral port and then run them from there into China; is that right?

Mr. Goss. No. That refers to a permit required for a shipment to China from the Nanking Government and in turn the State Department here has to give us a permit. He is referring to the State Department. I suppose that is what he means by President Roosevelt; in other words, the Government.

Senator Clark. What he means is that he can get them into this port and then he can run them from there into China, is that not right?

Mr. Goss. Well, I do not know what he means by that. I suppose that he means that he is willing to do that; yes.

Senator Clark. The letter continues [reading]:

> T. V. Soong, who represented China at Washington, or is now so doing, is the lad that paid us $5,700 for some police equipment that we got from Federal. Federal, furthermore, sent their own representative out to take up our work, which they tried so heartily to spoil from homeside.

That was how he happened to be running to you?

Mr. Goss. That is right.

Senator Clark. He was mad because Federal had sent an agent of their own to China. The letter continues:

> This company is the supply division of the China Oil Refineries, owned and operated, and having a monopoly, on the oil business in this region. The directors are the organizer and financiers of the 19th Route Army, the National Salvation Army of China. We have the best kind of access to sell any kind of material you can export.

Is Mr. Smith your agent in China now, Colonel?

Mr. Goss. No. I explained that Intercontinent Aviation was our representative over there. We have had receipted letters from this man Smith who, by the way, is an old Princeton man and that is why he keeps writing to me. I think the last letter I wrote him I suggested that he get in touch with Mr. Pawley, Intercontinent Aviation, and if they could work together in any way, it was all right, so far as I was concerned.

Senator Clark. I direct your attention now to a letter of May 2, 1933, to the Intercontinent Aviation Co., New York City, from the Lake Erie Chemical Co., B. C. Goss, president, which I offer as "Exhibit No. 790."

(The letter referred to was marked "Exhibit No. 790", and is included in the appendix on p. 2068.)

Senator Clark. This is a memorandum from you appointing them your agent in China and specifying terms; is that correct?

Mr. Goss. That is right.

Senator Clark. You say in this letter [reading]:

> It is further understood that you will not be given credit for orders which the Nanking Government may place directly with us. It is understood that these orders are placed with us through the Wah Chang Trading Corp. who handle the shipping and payments for the Chinese Government.

Mr. Goss. That is right.

Senator Clark. They were the American agents for the Nanking Government and you had established relations with them yourself.

Mr. Goss. That is right. However, they had nothing to do with placing any order that we had received up to that time. As I explained it, this contract was made directly by a Chinese mission which came over here. They simply arranged to have Wah Chang pay the invoices and handle the fiscal part of the transaction.

Senator Clark. You say [reading]:

> On any inquiries coming from China, other than those directly from the Nanking Government, we will quote prices to be mutually agreed upon between you and ourselves. We believe it advisable, however, that you notify us of specific negotiations so that we may cooperate to the fullest extent possible.
>
> It is requested that you notify your Shanghai and Hong Kong offices that they must be careful not to state that they have our exclusive agency, as this might cause trouble in regard to our present contracts.

What were those present contracts?

Mr. Goss. You entered those in the record yesterday. That was the contract with the National Government.

Senator Clark. That was the contract to which you referred?

Mr. Goss. Yes.

Senator Clark. Your contract with the Government direct?

Mr. Goss. Yes. The National Government wanted us to insure them that no agent was being paid a commission on that business that we were doing directly for the Government. If they told them that they were our exclusive agents, they might think or they might be afraid that somebody would be getting commissions.

Senator CLARK. Colonel, I call your attention to a letter dated January 13, 1933, from you to the Wah Chang Trading Corporation, which I offer as "Exhibit No. 791."

(The letter referred to was marked "Exhibit No. 791" and is included in the appendix on p. 2069.)

Senator CLARK. You say in that letter:

> I know where there are or were something like 30,000 war helmets which can be bought for around 15 cents each. I notice in the most recent pictures of the fighting the Japanese are equipped with steel helmets, while the Chinese forces do not have this protection, and it is my recollection that some of these were sent as a present to the Nineteenth Route Army, which, however, is not taking part in the present trouble. I would think that it would be advisable to get these helmets, whether they are purchased by individuals or by the Government, and would suggest that you ask General Wu whether they want them.
>
> I also know where there are approximately 100,000 new Enfield rifles which, I understand, have never been fired which can be purchased very cheaply. You might also make inquiry as to whether they are interested in these, in which case I will get a price and if possible a sample.

Did you also deal in rifles?

Mr. GOSS. No, sir.

Senator CLARK. Where were these Enfield rifles located?

Mr. GOSS. I do not know if I knew even at the time exactly where they were. The occasion for this letter was a subscription taken up by the Chinese in the United States who wanted to make a present to this Nineteenth Route Army. Mr. Lee was on this committee in New York who was deciding what his present should be as an expression of their esteem. They had been talking about gas masks and discussing helmets and one thing and another, and I was simply making a suggestion of some things that they could buy with this money that had been raised by this subscription.

Senator CLARK. You were not going to act as agent for the sale of the Enfields yourself?

Mr. GOSS. No.

Senator CLARK. Do you know where those Enfields were located? Have you any information on that?

Mr. GOSS. I do not now.

Mr. HUBER. I think I gave the colonel that information.

Senator CLARK. Where were they?

Mr. HUBER. The Soley Armament Co., in London.

Senator CLARK. Colonel, I call your attention to another letter, dated May 10, 1934, from Mr. Ailes to Colonel Goss, which I offer as "Exhibit No. 792."

(The letter referred to was marked "Exhibit No. 792" and is included in the appendix on p. 2070.)

Senator CLARK. This letter reads:

> I know you will be glad to hear that the Cubans got into a jam with Federal gas. The rioting students threw their bombs back at the riot squad and they finally had to resort to bullets.
>
> The same newspaper, giving account of this, tells of the death of one of the students and the coroner laid the death to gas. Possibly this fellow had a poor heart and got too much DM.

What does that mean?

Mr. Goss. That is diphenylaminechloroarsine.

Senator Clark. Is that used in tear-gas bombs?

Mr. Goss. No; sickening gas bombs.

Senator Clark. So that a man who had a weak heart might be affected by these sickening gas bombs?

Mr. Goss. No; not anymore than he would be by any kind of a shock or scare or anything else. A man with a weak heart, as you probably know, can be killed by any kind of excitement.

Senator Clark. What does Mr. Ailes mean by saying:

> Possibly this fellow had a poor heart and got too much DM.

He is not talking about shock there?

Mr. Goss. Mr. Ailes is not a chemist anymore than Mr. Huber here is.

Senator Clark (reading):

> In any event, the newspaper states that the students became seriously ill soon after being gassed and had difficulty in breathing.

What kind of gas do they sell down there?

Mr. Goss. We did not sell any, sir.

Senator Clark. I am talking about this reference to Federal. Mr. Ailes says that it was Federal gas that the Cubans got into a jam with.

Mr. Huber. I think I can explain that situation, Senator.

Senator Clark. Very well.

Mr. Huber. They had bought some sickening gas and tear gas. This student that was killed—well, somebody else had a long-range gun, a gun which had a long-range shell in it, and he shot it and hit the man in the stomach with the shell. I passed the information to Mr. Ailes, who twisted it on to Colonel Goss.

Mr. Goss. "Twisted it on" is good.

FALSE LABELING OF SHIPMENTS

Senator Clark. I call your attention to a letter dated September 18, 1933, from the Lake Erie Chemical Co. to the Barr Shipping Corporation, which I will offer as "Exhibit No. 793."

(The letter referred to was marked "Exhibit No. 793" and is included in the appendix on p. 2070.)

Senator Clark. This letter is addressed to the attention of Mr. Robert Barr and reads in part:

> We believe that you have had instructions from our New York office to the effect that shipping papers are to be made out as "Various merchandise" and tear gas in no way mentioned unless absolutely necessary to meet shipping regulations. If possible, may we suggest that you describe all items as "chemicals."
>
> The boxes are stenciled for "Klein & Company, Ltd., Santiago, Chile", but you should remove the tear-gas labels which appear on the shipment before reshipping.

Why does he want to have the goods falsely labeled?

Mr. Huber. I think there is another letter in the files—I do not know whether it is here or not—from Mr. Richardson, on that. He took the order from the Militia Republicana. Translated that means the Republican Militia, which is a secret organization of the Republic—at least it is a secret organization of the President.

Senator CLARK. It is a sort of a private army, is it not?

Mr. HUBER. A private army; yes.

Senator CLARK. Like the private armies they now have in Germany and Austria?

Mr. HUBER. Yes. It corresponds to that.

Mr. GOSS. Secret and official.

Mr. HUBER. And they did not want the public to know that they were getting any gas. The Minister of Defense cabled the authorization to the Chile consul in New York to okay the shipping papers and have the shipment consigned to Klein & Co. instead of having it shipped to the Militia Yard.

Senator CLARK. This organization is not a militia organization as we know militia in this country. It is a private organization, a secret society?

Mr. HUBER. Yes; like the Storm Troopers, I imagine.

Senator Clark (reading):

> We presume that a consular invoice is required, but wish that you would get in touch with Mr. Huber at our New York office regarding such a charge, as it our understanding that it will be only nominal and not the usual 5 percent of the total value.

In other words, the Government was knocking off the consular fee for armaments shipped to this private army; is that correct?

Mr. HUBER. Yes; on shipments to the Government direct, they do not collect any consular fee.

Senator CLARK. But this was not a shipment direct to the Government.

Mr. HUBER. Well, the Minister arranged that. It was destined for the Government and therefore they did not pay the fee.

Senator CLARK. I also direct your attention to a letter of the 5th of August 1933 from Santiago, signed by Mr. H. Huber, to the Lake Erie Chemical Co., which I offer as "Exhibit No. 794."

(The letter referred to was marked "Exhibit No. 794" and is included in the appendix on p. 2070.)

Senator CLARK. That referred to the same transaction?

Mr. HUBER. Yes; that is the same transaction.

Senator CLARK. You say in this letter [reading]:

> Klein & Co., Ltd. are druggists in Chile and I would suggest that you make out your declarations under classification "chemicals" as much as possible without giving too much explanation of what chemicals they are. You know just how far you may go, and I give you this information so as to help them here on this end in order to get them into the country.

That was this organization to which you referred. In this letter they referred to them as Guardia Republicana. Is that correct?

Mr. HUBER. Guardia Republicana or Militia Republicana; yes; it is the same thing.

Senator CLARK. So he shipped them to a druggist and labeled them "Chemicals"; is that right?

Mr. GOSS. It was at the request of the Government, Senator. I do not want any misunderstanding about that. That was an official order from the Government.

Mr. HUBER. If I may, I would like to introduce in the record a copy of——

Senator Clark. Still it was an entirely nonofficial organization.

Mr. Huber. I was out of the country, and I do not know definitely how that was finally shipped. If you want me to, I will send a copy of the bill of lading to be introduced into the record.

Mr. Goss. It was shipped the way the Government directed us to ship it. I want that understood. Somebody might not understand that.

The Chairman. How would that shipment be accounted for in the statistics of the Department of Commerce?

Senator Clark. They would be carried as drugs, of course.

The Chairman. They certainly would not be entered as an export of munitions, would they?

Mr. Huber. It depended; if the bill of lading shows that it was chemicals, tear gas——

Mr. Goss. Our invoice showed what it was. The invoice was made out that way.

Senator Clark. This letter says that the declaration should be made out under the classifications "chemicals" without further explanation, if they could get by with it. In other words, if they were able to get by with it, that is the way they would ship it. The point that Senator Nye is making, as I understand the Senator, is that if they were able to ship those in as chemicals, they would appear in that way in the statistics of the Department of Commerce.

Mr. Goss. That was purely for the other end.

Senator Clark. I understand. But what Senator Nye is talking about is how the shipment would appear in the statistics that are furnished to the country by the Department of Commerce.

Mr. Goss. I do not think we can draw any conclusions on that without finding out. I know that the materials had to be properly marked in this country according to interstate commerce regulations. I.C.C. 40, tear gas, and so forth.

Senator Clark. The same thing occurred in shipments to Honduras, apparently. I call your attention, Mr. Huber, to a letter from you to Colonel Goss, dated November 22, 1933, which I offer as "Exhibit No. 795."

(The letter was marked "Exhibit No. 795" and is included in the appendix on p. 2071.)

Senator Clark. This letter says [reading]:

> I am giving Barr Shipping the instructions to take off any marks that may show signs of war materials on the shipment to Honduras. This will clear New York on Dec. 1st. There was no object to ship this material by express and you should give instructions to Mr. Pay to ship this by freight in the future, unless we give urgent instructions to ship by express. If the other is advertised the President will not go thru with what we have planned on the future, as no one knows that this order has been placed and we should forget about it.

Now, that had to do with the same transaction——

Mr. Huber. Yes. This is part of it. We did not want those cases to be marked as they came into the country to let anybody know what it was.

Senator Clark. Do you know whether the Barr Shipping Company did take off these marks?

Mr. Huber. I do not.

Senator Clark. You never heard anything about it; you never heard anything more about it?

Mr. **Huber**. No. I think Mr. Barr did mention that—I think he said the steamship companies would not allow them to take them off and we had to let them go through the way it was.

Senator **Clark**. Now, I call your attention to a letter dated July 3, 1934, from Mr. H. A. Grundler to Mr. Huber, which I offer as "Exhibit No. 796."

(The letter referred to was marked "Exhibit No. 796" and is included in the appendix on p. 2072.)

Senator **Clark**. This says [reading]:

> We have made formal application for shipment of the fragmentation bombs to the State Department and since you were handling the shells, I would suggest that you make formal application covering shipment of shells in the name of the Export Consolidated Companies but in no case showing U.S. Ordnance Engineers, Inc., as the shippers.

What was the reason for that provision?

Mr. **Huber**. Well, they did not manufacture the cartridges. The cartridges were manufactured by Winchester. They did not want to ship the merchandise in their name. They were not getting any profit out of it, any profit connected with the cartridges, which is stipulated as shells there.

Senator **Clark**. Cartridge shells?

Mr. **Huber**. Yes; rifle cartridges. He did not want to have the United States Ordnance Engineers handle it.

Mr. Goss. In other words, Mr. Huber in that case took an order simultaneously for us and for himself. That is what it amounted to.

Senator **Clark**. And you did not want the responsibility put on you for what he was doing with his own company with which you had nothing to do.

Now, Mr. Huber. I direct your attention to a letter from Mr. D. B. Richardson, dated May 31, 1933, which I offer as "Exhibit No. 797."

(The letter referred to was marked "Exhibit No. 797" and is included in the appendix on p. 2073.)

Senator **Clark**. I am going to read this letter because it explains the status of this private army that you were talking about. It says:

> In further confirmation of my letter of the 26th from Santiago, I enclose herewith copy of the original order from the Estado Mayor of the Militia Republicana of Chile. I am keeping the original as it may be of use to me in sales to other countries.
>
> This organization has an estimated strength of some 20 or more thousand members and there were over 14 m in their first parade which took place in Santiago the first Sunday after I arrived there. They are the hopes of Chile as they are made up of the very best brains in the country—people who are tired of seeing themselves and the country exploited by a lot of politicians and they are dead against communism. In fact, they are going to use these bombs on the first communist manifestation that they have the opportunity to meet with. They are thoroughly sold on the gas as a means of fighting their situation.
>
> I gave them a demonstration in their head cuartel, which is strictly military in its character and organization. They are prepared to resist a seige if necessary. They have local chapters all over the country and are growing right along. They are supporting constitutional government and are with Allessandri.

Is that the President?

Mr. **Huber**. Yes.

Senator **Clark** (continuing reading):

> * * * and he is with them so that they can get the exchange for their needs. They expect to place another very large order soon. They will have to have a lot of guns and pistols with which to use this material.
>
> They are entitled to the regu'ar discount on quantities, which I understand to mean that they will get 10 percent on item #1, 5 percent on items two, four, five, and six, but nothing on item no. 3. If I am wrong in this, please correct it as they expect only the regular quantity discount and understand that it does not apply the total amount ordered—only on each item as its particular quantity indicates.
>
> I arranged with John Light to continue to work the business and I believe that he is going to get a good business worked up.

Who is John Light?

Mr. **Huber**. Our agent in Chile.

Senator **Clark**. And Richardson was a sort of a traveling supervisor, was he?

Mr. **Huber**. Yes.

Senator **Clark** (reading):

> He is going to try to get permission to import the fountain pens and other articles of that nature. * * *

What was the fountain pen? Was that a type of bomb that you manufactured?

Mr. **Huber**. It is like an ordinary fountain pen, except that it is a pistol that shoots tear gas.

Senator **Clark** (continuing reading):

> He is going to try to get permission to import the fountain pens and other articles of that nature and should be able to sell thousands of them to the individual members of the militia.

That is the organization referred to above?

> Do not let anyone else interfere in this Chilean business as the matter is well lined up as I saw for myself. My permit was from the Minister of Defense who now combines all the ministeriors (War, Navy, and Aviation). I talked to his secretary and showed him the material—also showed it to the chief of purchase of the army (who incidentally is not with them at heart, as are many of the army). I gave a demonstration at the department of investigations—on about 120 prisoners. It was a great success.

Now, did you understand from that that this agent of yours went out to a prison out there and tried out this gas on 124 devils that were taken out of the prisons?

Mr. **Huber**. Would you like to answer that, Colonel?

Mr. **Goss**. I would like to answer that; may I?

Senator **Clark**. As soon as Mr. Huber answers it I will be glad to hear your answer.

Mr. **Huber**. I understood from Richardson, he said, "Well, we are going to have a demonstration." I said, "Well, let us go over to the penitentiary where they have the prisoners locked up." They had them in a room and shot one of the weapons that contain a 20-gage shotgun shell of tear gas, and shot it at them.

Senator **Clark**. Just human guinea pigs.

Mr. **Goss**. May I answer now?

Senator **Clark**. Yes.

Mr. **Goss**. Mr. Chairman, I am glad you injected that remark. I have subjected myself to the demonstration two or three hundred times, and I am also a guinea pig.

The CHAIRMAN. But you consented to do it.

Mr. GOSS. Every time a demonstration is given, by the police department, you have the members of the police department there available and they may be subject to the same kind of demonstration. It does not hurt them in the least.

Senator CLARK. It seems in Chile they try it out on these poor devils that cannot protect themselves.

Mr. GOSS. It is just that they are afraid of gas. Do you see what I mean?

Senator CLARK. Then you say [reading]:

> The intermediary through whom Light is working could not be better, and he is getting 10%, so he will work his head off.

Who is the intermediary?

Mr. HUBER. That is probably some employee of Klein & Co.; I don't know who.

Senator CLARK. I direct your attention now to a letter dated February 9, 1933, from yourself, Mr. Huber, to the Lake Erie Chemical Co., which letter is offered as an exhibit under its appropriate number.

(The letter referred to was marked " Exhibit No. 798 " and is included in the appendix on p. 2073.)

Senator CLARK. You say in this letter:

> Mr. Grez, a brother-in-law of the President of Chile, is very anxious to take on our representation, and I have about decided to give him an option to obtain some business for us after April 1st, in the event that Mr. Light does not show some signs of life.

Was he the intermediary, do you suppose?

Mr. HUBER. No; Mr. Grez was in New York in business as an exporter, and at the present time he happens to be the Chilean consul in New York. At that time he was an exporter in New York.

Senator CLARK. He was at that time a brother-in-law of the President of Chile?

Mr. HUBER. I understand that information is not correct. I wrote to Mr. Light this information, and he answered back that he is not a brother-in-law, that his wife may be some distant relative or something else, but I do not know the exact story of it.

Senator CLARK. I notice in the previous letter just read, Mr. Huber, that Richardson says that many officers were not with this group.

Mr. HUBER. Yes; that is what I understood. That is the reason they had the militia of the Republicana organized, so that they would be with the President and maintain the Government.

Senator CLARK. Half of the Army was with the President, and he was maintaining a private army on the side?

Mr. HUBER. That is right.

RELATIONS OF LAKE ERIE WITH FEDERAL LABORATORIES

Senator CLARK. I now offer for appropriate number as an exhibit this letter of date April 19, 1933, from the Federal Laboratories to Mr. B. C. Goss.

(The letter referred to was marked " Exhibit No. 799 " and is included in the appendix on p. 2074.)[1]

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[1] Exhibits " No. 799 ", " No. 800 ", and " No. 802 " were referred to in the proceedings of Sept. 20, 1934, in the examination of Federal Laboratories, Inc. See Part 7, pp. 1813 and 1815, respectively.

Senator Clark. The letter is addressed to Mr. B. C. Goss, president the Lake Erie Chemical Co., with regard to scale of prices, to which I referred yesterday in the examination of the Federal Co.

I also offer for appropriate number a letter dated February 14, 1933, from Mr. Goss to Mr. Young, to which I referred yesterday.

(The letter was marked "Exhibit No. 800" and is included in the appendix on p. 2075.)[1]

Senator Clark. I now refer to a letter from Mr. Ailes to Mr. Young dated April 21, 1932, which has already been entered as "Exhibit No. 743."[2] In this letter the following language is used:

> We want to know at once what your attitude is toward this swindle. We have one bank prepared to arrest him for obtaining money under false pretenses, but our own opinion is that the best thing we can do is to send out a general warning letter and, inasmuch as he is in your employ and using your order blanks, we will certainly let it be known that this swindler is working for the Federal Laboratories and unless you stop him or help us to stop him we will let it be known that the swindle is perpetrated with your knowledge and consent.

That is the matter referred to yesterday in which Mr. Young disclaimed any connection with this man?

Mr. Goss. He said he had no control over him, but the man is still working for him.

Senator Clark. I offer as the next exhibit, a letter dated April 19, 1932, signed by the Lake Erie Chemical Co., addressed to General Supply Committee, Treasury Department, Building "F", Seventh Street and Constitution Avenue, Washington, D.C., attention Mr. LeFevre, to which reference was made yesterday.[1]

(The letter referred to was marked "Exhibit No. 802" and is included in the appendix on p. 2076.)[3]

Senator Clark. In this letter, Mr. Goss, you protest against the Federal Co. on the ground it was let a contract in a competition in which you had no opportunity to bid. What became of that protest, Colonel?

Mr. Goss. Nothing ever came of it.

Senator Clark. Did you get anywhere with the protest?

Mr. Goss. No.

Senator Clark. What did they tell you, just describe the facts about that, will you, as I am interested in it. Is it a fact that the Treasury Department let contracts without taking bids for them as you allege in this letter?

Mr. Goss. They did in this particular case, and the man who sent this proposal out said he had never heard of the Lake Erie Chemical Co., and that is why I gave here five reasons why we did not see how it was possible he had never heard of us since there had been a lot of newspaper publicity on the use of our gas by the Capital police and so forth.

Senator Clark. You wound up that letter by saying:

> We request that the award in question be thrown out on the grounds of error and that we be permitted to bid on these and other items.

Did they take any action with regard to your protest?

Mr. Goss. No, sir.

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[1] See footnote on p. 1996.

[2] "Exhibit No. 743" was entered into the record during the proceedings of Sept. 26, 1934, in the examination of the Federal Laboratories, Inc. (See Part 7, p. 1803.) It appears in the appendix to Part 7 on p. 1915.

[3] There was no exhibit marked "No. 801."

Senator Clark. You just let it drop?

Mr. Goss. Yes.

Mr. Clark. Now, Mr. Huber, I call your attention to a letter to Edwin Huber, signed by yourself and dated March 11, 1933, which is offered as the next exhibit.

(The letter referred to was marked "Exhibit No. 803" and is included in the appendix on p. 2077.)

Senator Clark. Who is Edwin Huber?

Mr. Huber. My brother.

Senator Clark. Is he located in Honduras permanently?

Mr. Huber. Yes; he has been down there 15 years or more.

Senator Clark. You say in this letter:

> Dear Ed: When talking to Maloney or anybody else about the munitions, convince them that there is no necessity for sample bomb of Lake Erie, as we will supply them according to Government specifications. Browning machine guns are only manufactured by Colt, who are hard-boiled as hell and very independent. You have the information in your files on Colt Brownings. It will be difficult to get any Remington 7 m/m, excepting from Remington themselves, and, personally, I prefer not to have anything to do with this gang.

Is that Remington you refer to as not having anything to do with?

Mr. Huber. The export company.

Senator Clark. I read further from the letter:

> My ex-partner, Frank Jonas, Elmslie's brother, is now with Remington and more crooked than the rest of them. The best proposition for Honduras is the model 98 Spanish Mauser which we can get for $14.50, and I sold 100,000 to Brazil.

When did you sell 100,000 of those rifles to Brazil?

Mr. Huber. At that time we had been in negotiation with a man named John Law who was in Brazil, and he cabled up here to get quotations on 100,000 rifles. This is in Rio de Janeiro, for the Government. That dragged along for a while, and finally we got a letter from him, which must have been about this time, in which he said the business is closed, and it is just a matter of routine to close it up, but the fact of the business is it never has been closed.

Senator Clark. You were in error when you said you had sold 100,000 rifles to Brazil?

Mr. Huber. Yes; but I based that on the letter from Law that the business was closed. These were rifles that had been negotiated for in Belgium through Gromard, an agent there, whom I found out never had the rifles, but he was the agent for Soley.

Senator Clark. You were going to procure them in Belgium.

Mr. Huber. No; the order was to go directly to Gromard, and Law and I were to receive a commission on it. My commission on that was 25 cents a rifle.

Senator Clark. Reading further, the letter says:

> Galef, on Chamber Street, has 1,500 Winchester cal. 44 rifles and about 8,000 carbines, which would be the next best thing for Honduras.

Who is Galef?

Mr. Huber. He is an arms dealer at 75 Chambers Street, New York. I understand that when the Winchester were in receivers, they sold their existing stock of these carbines to Galef, and Galef has been selling them out. I understand he has sold most of them and has only about four or five hundred left.

Senator Clark. He kind of bought them at a bankruptcy sale?

Mr. Huber. Yes.

Senator Clark. And then you say further:

> These are new, as Galef bought Winchester's entire stock and if you order them from Winchester they will get them back from Galef.

That is, if the order had gone to Winchester Co. direct, they would have simply gone down to Galef and bought them back?

Mr. Huber. I understand that was the situation.

Senator Clark. And reading further you say:

> He offered me the rifle or carabino at $14.50, but I can get them for $14, or probably a little less. There is nothing in the way of 7 M/M in this country, and would have to be specially manufactured, while we can get them in Europe for about a 60-day delivery over there.

Who can you get them from in Europe?

Mr. Huber. Why, in Spain you can get them made, and you can get them in Belgium and Switzerland.

Senator Clark. I find a letter here from you, Mr. Goss, dated March 19, 1934, from you to Mr. W. K. Smith, the gentleman to whom we referred a while ago, addressed to him at the Hotel Embassy, Bubblingwell and Carter Roads, Shanghai, China, which letter I offer as the next exhibit.

(The letter referred to was marked "Exhibit No. 804", and is included in the appendix on p. 2077.)

Senator Clark. This letter is apparently an answer to a letter of Mr. Smith in which he wrote that he had business in those Provinces aggregating a population of 100,000,000.

Mr. Goss. No; I think that is a reply to an earlier letter, because then he said that he was down in south China, and this is from Shanghai.

Senator Clark. I hand you this letter of date March 19, 1934, to Mr. Smith, in which you refer to his letter of February 12, and it was in this letter of February 12 which was offered as "Exhibit No. 772" that he said:

> I am technical director and advisor to this Government, and with this province are four other Provinces, totaling 100,000,000 people. I recently took a commission of military heads to the Philippines, and for no good or particular reason have access to business which would be mutually advantageous. Permits, or Huchous from Washington and locally are obtainable by me; but we wish to do business direct—and if I can't, then we have to go to Czechoslovakia and Germany.

So this letter, "Exhibit No. 804", is in response to that letter, and here you say:

> I am very anxious to make a connection with you and our cards are all on the table. Several months ago, Intercontinent Aviation, Inc., obtained an order for one thousand 110-lb. demolition aerial bombs. They also claimed to have been double-crossed by Federal Laboratories and, therefore, did not want to do business with them and offered us an order, but on the condition that we appoint them our representatives, which we did, and the above bombs were delivered in Canton several months ago.
>
> Intercontinent Aviation is a subsidiary of Curtiss-Wright, etc., and a very fine company and their president, Mr. Pawley, is now in China. I do not know whether they intend or will have time to push the sale of our police equipment, etc., but, before answering your letter regarding the sample order which you wish to place, I feel that I should discuss this matter with Intercontinent, which I will do in New York next week.

I suggest that you write me by return mail, giving a list of the items and quantities which you wish to obtain on a sample order and just what you mean by "the same understanding we had before." I am suggesting this to avoid any possible misunderstanding in regard to what commitment would be made in your mind by shipping these samples. On receipt of your letter, I will cable you, as, before I receive your letter, I will have talked to Intercontinent and you may also have seen Major Spring.

Did you talk to Intercontinent about having him represent you?

Mr. Goss. I probably talked to Mr. Sanderson, who in Mr. Pawley's absence was running the office as to whether there was any way in which Smith could cooperate with them.

I referred the matter to Pawley, but I do not think he ever made any arrangement with Smith.

I was writing this letter to make sure he did not have any idea we were being unfair to him in shipping the samples. I could have shipped the samples, and he would have paid for them, but I did not want to do that.

Senator Clark. Did you have any business relations at all with Smith further than this?

Mr. Goss. No; except I told him in this letter if he could make arrangements with Intercontinent to work under them, I had no objection.

Senator Clark. What does this mean, "I am very anxious to make a connection with you."

Mr. Goss. I was anxious to have him working and getting orders for our company if he could do it, working through Mr. Pawley.

Senator Clark. Just what did you mean, Mr. Huber, a while ago, by making the statement that Jonas was crooked?

Mr. Huber. I can explain that if you desire.

Senator Clark. I would like to have you do so.

Mr. Huber. Along about March 1932 he lost his job with Winchester and was very much depressed, and talking to him one day I said "Come down to the office and we will work together on the Federal line and make some money."

Senator Clark. Did you have the Federal business then?

Mr. Huber. No; he was the export agent for Federal, and so we agreed verbally to work it 50–50. I took him at his word and let him in, and we did get some business, and on the first of the month made some money. He agreed to split the business with me, and he paid me my half of it up until it came to the final settlement, in which there was $480 due me. I needed the money very badly and he did not want to pay the $480, and he paid me $200 and refused to give me the full amount of the commission. I said all right go ahead and settle anyway you want to, and he gave me a check for $200 and put down on the check "payment in full", or something like that.

There was other business that came in through the arrangement, this Cuban business, and he got other business in which he refused to pay me any commission on it.

The bullet-proof cars that went to Cuba, I had sold probably the first bullet-proof car shipped out of here in 1921 or 1922, when I was down in Salvador.

Senator Clark. Who were you in business with then?

Mr. Huber. I was for myself down there, and I went with my brother.

Senator CLARK. Who made the car you sold?

Mr. HUBER. The Ford Co.

Senator CLARK. That was made on special order?

Mr. HUBER. Yes. So, when this order came in I told him where we had previously obtained the car, and I wrote some letters trying to get information. To make a long story short, the Federal finally sold one bullet-proof car, and when it arrived down there they got an order for a second one. I was supposed to get a 50–50 commission, and I got a commission of $200 out of the first car. I believe there was a gross profit of about $4,000 on that car for Young, Jonas, and myself, and I figured I should have gotten in the neighborhood of $1,000 for my end of it, but I got only $200, and on the second car I did not get a dime.

Senator CLARK. What do you mean by saying in this letter that Jonas was even more crooked than the rest of the Remington gang; did you regard the Remington gang as crooked?

Mr. HUBER. No; I did not regard that as the Remington gang. I meant the people more or less mixed up in the munitions business; the ones I had dealings with.

Senator CLARK. You mean you regarded the whole crowd of munitions dealers crooked, but Jonas more crooked than the rest of them?

Mr. HUBER. This business is a shady business all the way through. I did not know anything about it, and Jonas is the one that educated me in the arms business.

Senator CLARK. You had been selling armored cars as early as 1921.

Mr. HUBER. Yes; but our business was cash registers and such, and this happened to be an order that we got.

Senator CLARK. When you say, " My ex-partner Jonas is with Remington, but he is more crooked than the rest of them ", that would seem to refer to Remington.

Mr. HUBER. I did not mean it that way, though. It might have carried that implication, but I did not mean it that way.

Senator CLARK. Colonel Goss, what is this remark of yours about Federal double-crossing the Intercontinent? What did that remark refer to?

Mr. GOSS. Is that pertinent to the inquiry?

Senator CLARK. I think it is and that is the reason I asked the question.

Mr. GOSS. I hate to talk about our competitors in public.

Senator CLARK. You did not hesitate to write to people in China about them.

Mr. GOSS. I was writing to our own representative there, Senator.

Senator CLARK. I understood he was not your representative.

Mr. GOSS. Mr. Smith is the one to whom I was writing, and he was the man who knew me and wanted to be our representative.

Senator CLARK. What was the meaning of the reference to Federal double-crossing Intercontinent?

Mr. GOSS. Well, I will tell you what I heard.

Senator CLARK. That is all I am asking for.

Mr. GOSS. The story as I got it was something like this. This was before we were really in the business of making these bombs and, as I told you, the Intercontinent was the first order we ever made. Also, I think this is no reflection on Federal, because Mr. Young explained in his testimony this man did this without his knowledge.

But the story is that Intercontinent got this order for bombs from China and they intended to get the bombs from Federal Laboratories, as they were the only ones that knew about it at that time, who were making bombs in this country, and Federal was paying Intercontinent a commission, I don't know how much, on the order which was supposed to be given to them.

The Intercontinent man told the Federal representative out there that he was going down to Canton to get this order financed, to get the credit established for it, and told him what the price was and everything. This Federal man, then, according to the story told me, secretly got on this same boat that was going down to Hong Kong, that Mr. Pawley, the Intercontinent representative, I think it was, was going on to get the order financed that they already had. When the boat landed the Federal man hurriedly got off of the boat and beat Mr. Pawley down to Canton by 24 hours, or something like that, and offered to furnish these bombs to the Government directly for $5,000 less than the price at which Mr. Pawley's company had sold them.

In other words, he was going to sell them directly and make more profit on it. That is the story.

Senator CLARK. Now, Colonel Goss, I direct your attention to a letter dated October 11, 1932, sent by air mail to Mr. Alberto Hoyos, P.O. Box 76, Manizales, Colombia, South America, and signed by yourself, which is offered as the next exhibit.

(The letter referred to was marked "Exhibit No. 805" and is included in the appendix on p. 2078.)

Senator CLARK. In this letter you say:

> I have since been advised, on good authority, that Mr. Olano actually paid Federal more than our price and, in fact, Mr. Young, president of Federal Laboratories, definitely made that statement to a man, who repeated it to me. If this were true, it could only mean one thing.

Now, what was the one thing it could mean?

Mr. GOSS. There was some influence down in Colombia or some place that was causing Federal to get the order. The quotation was sent out presumably on the basis that the lowest bidder would get the order.

Senator CLARK. You proceed further as follows:

> And I therefore wish you would find out what price the Colombian Government actually paid Federal Laboratories for the above bombs.

Mr. GOSS. He never succeded in finding that out.

Senator CLARK. But there is an implication that there was something improper in the transaction. You say definitely that the Colombian consul had paid more for the bombs than you offered them for.

Mr. GOSS. I say I had been advised that.

Senator CLARK. You say that this could only mean one thing, and then you ask him to find out what the Colombian Government had actually paid for the bombs.

Mr. GOSS. That is right.

Senator CLARK. And there is a suggestion in there that somebody was getting a take-out.

Mr. GOSS. Perhaps there was a personal influence. I do not know what the nature of the influence was.

Senator CLARK. Then, I would like for you to explain this paragraph which reads as follows:

> As previously stated to you, Federal furnished them a very inferior product with a fuze, booster, and adapter assembly that is not in accordance with U.S. Army specifications and is not considered safe for shipment, and of a construction which the Bureau of Explosives or Interstate Commerce Commission of the United States refused to let Federal ship by freight. Moreover, the shipment of bombs assembled as Federal makes them is a violation of Marine Insurance laws and would not be permitted to be loaded on any boat if the inspectors knew about it.

What does that mean?

Mr. GOSS. I think it speaks for itself.

Senator CLARK. Wherein does this violation of the law take place?

Mr. GOSS. Wherein what, did you say?

Senator CLARK. Yes; wherein did they violate the law?

Mr. GOSS. I don't remember what the exact construction was at this time. They have changed the law since, but that was the information I had, that the detonators were being shipped in the bomb.

Senator CLARK. You mean they were unsafe for shipment as being liable to cause an explosion on the ship or on the train?

Mr. GOSS. That is right.

Senator CLARK. You say that has been corrected since that time?

Mr. GOSS. Yes, sir. I do not know that they knew that it was incorrect or not. I do not know whether they were aware of that.

Senator CLARK. How did you find out that they were shipping in that way? It would be rather remarkable if you knew about it and Federal did not.

Mr. GOSS. Not very. In view of my Army experience, I knew how they should be made.

Senator CLARK. This is not a question of Army experience, but it is a question of obeying the laws as to the manner of shipment.

Mr. GOSS. I had gone to the Bureau of Explosives and made extensive inquiries as to how they should be shipped.

Senator CLARK. You mean that Federal might not have known how they should be shipped and not how they were shipped?

Mr. GOSS. That is it.

Senator CLARK. In 1933 you filed a complaint with the Federal Trade Commission against the Federal Laboratories, Inc., practices, did you not, Colonel?

Mr. GOSS. Yes, sir.

Senator CLARK. I offer that for appropriate number.

(The letter referred to was marked "Exhibit No. 806" and appears in full in the text.)[4]

Senator CLARK. That letter to the Federal Trade Commission reads as follows:

JANUARY 23, 1933.

FEDERAL TRADE COMMISSION,
Washington, D.C.
(Attention Mr. Ishmael Burton, chief examiner.)

GENTLEMEN: In accordance with our recent conversation at your office, we are herewith enclosing a copy of the catalog distributed by the Federal Laboratories, Inc., Pittsburgh, Pa., and a copy of their advertisement appearing on page 96 of the January 1933 issue of the American Exporter.

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[4] Reference is made to "Exhibit No. 806" in the proceedings of Sept. 20, 1934, in the examination of Federal Laboratories, Inc. See Part 7, p. 1815.

Their catalog carries many reproductions of U.S. Army Chemical Warfare Service photographs, which have been used to lead the reader to believe that they were actual photographs of equipment which was made by Federal Laboratories, Inc., when, in fact, Federal Laboratories, Inc., have taken Chemical Warfare Service photographs and stated that these same pictures represent actual material of their own manufacture.

Many untrue statements have been made in describing the illustrations which are apparent to anyone familiar with chemical warfare and ordnance. Many of these are called to your attention in the marked copy enclosed.

In the Federal Laboratories' advertisement appearing in the American Exporter the statement is made, "The largest cities on two continents use our gas riot guns, billies, hand grenades, and pistols", whereas the Lake Erie Chemical Co. supplies the police departments of New York, Chicago, Philadelphia, and many other large cities as well as many large foreign cities.

As indicated above, we wish to make a formal complaint against the advertising practice of the Federal Laboratories, Inc., Pittsburgh, Pa.

Very truly yours,

THE LAKE ERIE CHEMICAL CO.,
A. F. SPRING, *Assistant Manager.*

Did anything come of that complaint, Colonel?

Mr. GOSS. No, sir.

Senator CLARK. Did you ever have a hearing on it?

Mr. GOSS. No, sir. We understand that somebody went out there and did something, but I do not know what it was, and nothing ever happened.

Senator CLARK. Now I show you a letter dated December 8, 1933, Colonel, to which reference was made here on yesterday in Mr. Young's examination. This is a letter from Mr. A. S. Ailes, of the Lake Erie Chemical Co., to Mr. J. W. Young, Federal Laboratories, Inc., Pittsburgh, Pa. I offer that for appropriate number.

(The letter referred to was marked "Exhibit No. 807" and is included in the appendix on p. 2078.)

Senator CLARK. That letter says in part:

> My understanding was that you were going to call somebody down at the Department of Justice and have permission granted for us to amend our bid offering 2 percent discount, the same as you and I further understood that you were going to notify me if you secured such permission.

Did that have to do with those patented articles?

Mr. GOSS. Yes, sir.

Senator CLARK. Now, Mr. Huber, I call your attention to a letter from you to Colonel Goss, dated December 29, 1933, and ask that it be appropriately numbered.

(The letter referred to was marked "Exhibit No. 808" and is included in the appendix on p. 2079.)

Senator CLARK. On the second page of that letter you state as follows:

> I will see Shannon Tuesday morning and bring to a showdown his relations with Tobin, but there is one fly in the ointment, which is our verbal agreement that to the aircraft companies these prices are 5 percent lower than to the agents.

What was the basis of that arrangement, that the aircraft companies got 5 percent more discount than your agents?

Mr. HUBER. We were having quite a battle there with the aircraft companies, and they did not push the sale of our equipment.

Senator CLARK. What do you mean when you say that you were having a battle with them? They were not manufacturing gas equipment, were they?

Mr. **Huber.** That came about because Curtiss-Wright wanted to tie up either Federal or ourselves for the exclusive sale of our stuff in certain countries, mostly South American countries, where they thought that they had the business set up.

Senator **Clark.** They were going into the general business of dispensing gas equipment, were they?

Mr. **Huber.** This applied mostly to smoke-screen equipment for airplanes and aerial bombs.

Senator **Clark.** Did it apply to police equipment?

Mr. **Huber.** No. It applied to or pertained to the aviation industry. They showed me, or told me, rather, that Federal had made them an offer of their exclusive representation for certain countries, and they preferred to take our line, and I stood pat on it, and told them, "nothing doing", and the outcome of it was that I did agree that on this aerial equipment they would get a price of 5 percent lower than we gave to their agents because they maintained that they had to charge a matter of at least 10 percent profit, and in order to do that we gave them a price of 5 percent lower than we gave to the agents, and they could add another 5 on, and still be competing with the agents, and the best man wins.

Senator **Clark.** Was not that pretty hard on the agent? It was underselling the other agents, 5 percent cheaper than them, was it not?

Mr. **Huber.** No; because at that time no agents had obtained any orders for aerial equipment, and we thought that they probably would not; that the aviation companies were in the best position to get that business for us.

Senator **Clark.** That is what I say. It was pretty hard on the agents, to give this advantage of 5 percent to the aviation companies, who were other agents.

Mr. Goss. Would you like another comment on that?

Senator **Clark.** Yes; I want to find out the basis of it.

Mr. Goss. The basis of it was simply the fact that these agents in these countries were satisfied with far less commission than a big company would add onto their cost price, and if the agent got the business, the aircraft company could help get it and still get 5 percent, but you must remember——

Senator **Clark.** I mean, if the aircraft company got the business, you would still pay your other agent 5 percent?

Mr. Goss. If we had an exclusive arrangement in the country they had a definite amount they were to get; but if they did not, the aircraft company could add on whatever they wanted to, but you must remember that the agent, if we had an agent in the country who was not an exclusive agent, was simply given a net cost to him, to which he could add on whatever he thought was a reasonable commission, and it would not be fair to the aircraft companies to put them on exactly the same basis, because they are a bigger customer than any one dealer in any one country could be. It is a question of quantity. I think that is pretty common practice.

Senator **Clark.** Mr. Huber, I direct your attention to a letter dated New York City, July 13, 1933, addressed to Lynn W. Franklin, in care American Consulate, Amoy, China. I will ask that that be appropriately numbered.

(The letter referred to was marked "Exhibit No. 809" and is included in the appendix on p. 2080.)

Mr. Huber. Mr. Franklin was an old friend of mine, who was American consul in Honduras, and American consul in Salvador.

Senator Clark. Is he American consul in China?

Mr. Huber. He is now.

Senator Clark. Amoy, China?

Mr. Huber. That is right.

Senator Clark. After some family references, you state:

> And I am sending you a few snaps of mine, too, which are doing fine in the good old U.S.A.
>
> Just last week we shipped one thousand 120-pound demolition bombs, which were sold to the Canton Government by the Intercontinent Aviation Co. The Canton Government had considerable difficulty in getting a permit from the Nanking Government, but it finally came through o.k., and we hope to get some more business out of them.

Canton does function under Nanking occasionally, and must communicate with them, must they not, Mr. Huber? [Reading:]

> Mr. Henry Lin called on us a few months ago——

Who is he?

Mr. Huber. He was a man from China who came to New York and came in the office and looked me up.

Senator Clark (continuing reading):

> and afterwards was formally introduced to us by the Bureau of Foreign and Domestic Commerce in New York as representative of General Ong, of the Nineteenth Route Army. We gave complete quotations to Mr. Lin on our military line, in duplicate, so that he could forward them to China; however, since that time prices have advanced considerably owing to the increased price of commodities, and we, therefore, wrote Mr. Lin to his Washington address withdrawing the discounts quoted and at the same time advising him that we would be glad to give a new quotation on any specific items that may interest him.
>
> In talking to the war lords, you might mention to them that our president, Col. B. C. Goss, was the chief of the Chemical Warfare Service of the First and Second Armies of the American Expeditionary Forces during the World War. He is probably the best authority on chemical-warfare equipment in this country, and is a reserve officer attached to the War Department in this service. Any boost that you can give the Lake Erie products will naturally be appreciated.
>
> I am leaving next monday for a trip through Central America to sell this chemical-warfare gases and aerial bombs.
>
> I also appreciate your biography and at an appropriate time I will make the suggestion to some of our Senator friends to give you a recommendation for an advancement, as you probably realize that a good boost from powers that be will do you no harm and may lead to something more worth while.

Who were your Senator friends, Mr. Huber?

Mr. Huber. Who they were I do not know. I have an acquaintance with Senator Barbour, who was president of the Wilford Hall Laboratories when I traveled for them from 1916 to 1918. I have not seen Senator Barbour since.

Senator Clark. Did you make a suggestion to Senator Barbour, in accordance with this statement to Mr. Franklin, you would give him a recommendation for advancement?

Mr. Huber. I did not, but my brothers and I——

Senator Clark. This was in July 1933.

Mr. **Huber**. I have not seen Senator Barbour since I went into the Army, but I have seen some people who were associated with him, in the same business, which was the surgical-dressing business at that time, and am on very good terms with them.

Senator **Clark**. Did you ask them to ask Senator Barbour to give Mr. Franklin a recommendation for advancement?

Mr. **Huber**. I did not; no.

Senator **Clark**. Who else were your Senator friends?

Mr. **Huber**. I have none excepting you, probably.

Senator **Clark**. Whom did you refer to in giving the impression to Mr. Franklin, the American consul in China, when you wrote this letter, that you were going to take up the matter with some of your Senator friends and have them give him a recommendation for advancement?

Mr. **Huber**. That was based on friendship of myself and my brothers with Franklin for many years, and several times in talking about things in general we said if we could ever help Franklin get an advancement we would do it, and that is what I had in mind.

Senator **Clark**. You never did speak to any of your Senator friends?

Mr. **Huber**. No, sir.

Senator **Clark**. You never did make the suggestion to any of your Senator friends to give him a recommendation for advancement?

Mr. **Huber**. No, sir.

Senator **Clark**. What did you mean by saying, "a good boost from powers that be"? Are you the "powers that be"?

Mr. **Huber**. No; the Senators are the powers that be.

Senator **Clark**. Oh, the Senators are the powers that be?

Mr. **Huber**. Yes, sir; surely.

Senator **Clark**. And can you tell us any other Senators you had in mind to make the suggestion to that Mr. Franklin be given a recommendation for promotion?

Mr. **Huber**. In case there was any opportunity, I might have gone to speak to Senator Bulkley, from Ohio.

Senator **Clark**. Did you ever speak to Bulkley?

Mr. **Huber**. Yes; I did.

Senator **Clark**. About Franklin?

Mr. **Huber**. No, sir; about other affairs. About 6 months ago there was an Ohio man appointed Minister to Salvador, Dr. Corrigan.

Senator **Clark**. When was that?

Mr. **Huber**. This spring or summer.

Senator **Clark**. This is July 1933 when you were writing Franklin telling him that you were going to suggest to your Senator friends to get him promoted. Whom did you have in mind at that time?

Mr. **Huber**. Senator Barbour; also probably Senator Bulkley. I met Senator Bulkley in Ohio, when he was campaigning, at a dinner at the Hotel Sinton.

Senator **Clark**. Did you have any particular relations with Bulkley which would entitled you to go to him and make a suggestion to him that he should recommend Franklin for a promotion?

Mr. **Huber**. Nothing more than he is a Senator from Ohio, and Ohio is my home State.

Senator CLARK. As a matter of fact, here is what happened, Mr. Huber, is it not: You wrote this consul, located 'way out in China, and suggested to him to tell the war lords or anybody with whom he had negotiations in China, that this was the situation, and you called his attention to the fact that Colonel Goss was an expert in the matter of gas equipment, and also a reserve officer in the Chemical Warfare Service of the Army, and you say you are going to get him promoted, by making a suggestion to some of your Senator friends; and you were thereby conveying the impression to this man in China that you had a lot of influence to get him promoted, if he would take up your cause with the war lords of China?

Mr. HUBER. That is not the case.

Senator CLARK. What does it mean?

Mr. HUBER. It means that I would help him in any way I could, and if I could get some Senators, I would do it.

Senator CLARK. You say [reading]:

> I also appreciate your biography and at an appropriate time—

and so forth.

Mr. HUBER. If he was ever up for advancement. I understand the Consular Service has advancements, and the time of service runs something like in the Army, and there is a certain number of years you spend there.

Senator CLARK. As a matter of fact, Mr. Huber, did you know a single Senator whom you were on terms of sufficient acquaintance to make a recommendation about a promotion for a consul in China?

Mr. HUBER. Not directly, but I might have found out from a friend of mine.

Senator CLARK. And you did not make that recommendation, did you?

Mr. HUBER. No, sir.

Senator CLARK. And you did not intend to make such a recommendation at the time of writing this letter, did you?

Mr. HUBER. No, sir; not me, directly, but I figured on getting someone else to do it, if such a thing was done.

Mr. GOSS. Mr. Chairman——

Senator CLARK. Go ahead.

Mr. GOSS. I have no connection with it, but I want to protest the implication there that there was anything wrong, either with the consul helping American business or otherwise. My understanding is that is why he was there. There was nothing wrong in recommending to Senators that he should get some promotion. I think that is what they are supposed to do.

Senator CLARK. That may be your opinion, and your protest may be entered in the record.

I will call your attention to a letter dated July 13, 1934, Colonel Goss, from you to General Douglas MacArthur, office, Chief of Staff, State, War, and Navy Building, Washington, D.C., which I offer for appropriate number.

(The letter referred to was marked "Exhibit No. 810" and is included in the appendix on p. 2081.)

Senator CLARK. In that letter you state in part:

> I think you must have instilled in the Turkish army officials an intense respect for everything American, as they indicate that they do not want to obtain anything anywhere else but from the United States.

> I expect to be in Washington next Wednesday morning, July 18th, and would appreciate a few minutes' conversation with you regarding the above. I will call your office on arrival to find out if it will be convenient to see me for a few minutes.

Did you ever see General MacArthur?

Mr. Goss. He was out of town. Do you want me to say why I wanted to see him?

Senator Clark. That is stated in the letter. You can make any explanation you want to, Colonel.

Mr. Goss. I do not say in the letter why I wanted to see him.

Senator Clark. You say "about the above."

Mr. Goss. About the above, but specifically I wanted to talk over with him what I had talked over with the Turkish Government officials. I made it a point to do that in connection with these negotiations.

Senator Clark. You mean, when you have negotiations with regard to establishing a chemical warfare division for a foreign army, you notify the proper authorities?

Mr. Goss. If it goes far enough to be serious. That is right.

Senator Clark. Colonel, I call your attention further to this catalog to which we referred yesterday, being a catalog of the United States Ordnance Engineers, Inc.

Section II, page 3, in connection with mustard gas, states:

> Mustard gas is the ideal defense agent. It is very persistent, lasting in an area under some conditions as long as a week. It is possible with mustard gas to prohibit territory to advancing land forces, whether infantry, cavalry, or tanks, with far less expenditures of either life or money, than by any other known means. Roads, narrow passes through mountainous country, villages, or railway stations may be practically barred against passage or occupation by enemy forces unless such forces are fully covered with mustard-proof clothing and provided with perfect gas masks and large quantities of chemical agents for destroying the mustard gas in the ground. The bulky equipment and inconvenience of movement of troops under such handicaps make the difficulties of any advancing army almost insurmountable.
>
> Mustard gas is also tactically valuable for producing casualties considerably in advance of the time of an attack, or for producing casualties in and isolating strong points which may be avoided during attack.

How much mustard gas have you sold for export?

Mr. Goss. None.

Senator Clark. Do you have a factory to manufacture that?

Mr. Goss. No, sir. This is probably an appropriate time to register another protest, that the words have been loosely used by several members of the committee and repeated in the newspapers about our manufacture of poisonous gas. We make no poisonous gas, and never have, and have no intention of making any.

Senator Clark. You simply hold yourself out to manufacture equipment or superintend the manufacture in factories for the manufacture of it?

Mr. Goss. That is correct, and I do not want any implication that that is reprehensible, because our own Government and England and France——

Senator Clark. The members of the committee will make such implications as they please. You can state what you please for the record.

Mr. Goss. I will state that I wish to register that protest myself. The United States Government, England, France, and every other important country in the world regards that as a necessary defensive agent, and has equipment for manufacturing it.

Senator Clark. Do you regard phosgene as primarily a defensive agent?

Mr. Goss. In a case of national defense; yes. I regard it tactically as an attack agent.

Senator Clark. I notice in your prospectus you state as follows:

> Phosgene is the most practical and economical gas for the production of quick death. While mustard-gas casualties are a long time in hospital, sometimes several months, there is nothing about them, immediately after being gassed, to inspire terror in other troops. With phosgene, however, if heavily gassed, men will be dropping dead like flies within a few hours.
>
> To be successful, a high concentration of phosgene must be built up extremely quickly on the target. It is nonpersistent and may therefore be used to produce casualties immediately before an advance. Friendly troops may follow a short time later.

You do not manufacture phosgene either?

Mr. Goss No, sir.

Senator Clark. You are prepared to superintend its manufacture in factories?

Mr. Goss. That is right.

Senator Clark. Do you also manufacture gas-mask equipment, protective gas equipment?

Mr. Goss. Through an association with another company, we offer them.

Senator Clark. Now, on page 2 of section VII, Colonel, there is contained a picture of a riot of textile workers at Lodi, N.J., dispersed by "Lecco lightning-fast gas candles." Are they manufactured by your company?

Mr. Goss. Yes, sir.

Senator Clark. Who holds the bulk of your stock, Colonel, in these two companies?

Mr. Goss. I and other members of the family have over 50 percent.

Senator Clark. In 1932 and 1933 you had sales of approximately $245,000, did you not?

Mr. Goss. That is right.

Senator Clark. What were your sales in 1933 and 1934? That is for your fiscal year, is it not?

Mr. Goss. The end of our fiscal year is July 31, and at the time I left for my vacation the treasurer had not compiled the statement.

Senator Clark. Can you tell us approximately what it is?

Mr. Goss. I wired him and I came right down here from camp [producing telegram].

Senator Clark. I offer this telegram, dated at Cleveland, Ohio, from G. W. Pay, Lake Erie Chemical Co., to B. C. Goss, Hotel Washington, reading as follows:

> Lake Erie sales $315,000, including $106,000 ordnance engineers. Stop. Profit $2,000. Stop. Sales of ordnance engineers $132,000. Stop. Profit $3,000. Stop.

Mr. Goss. I am glad you read that. Senator.

Senator Clark. I am glad to read it. I am looking for the facts. That is all that I have, and if you want to make a statement, Colonel, all right; you may go ahead.

Mr. Goss. There will be no accusation of excess profits on that basis, will there?

The CHAIRMAN. Referring back to the letter which you wrote General MacArthur, did you ever have any acknowledgment of that letter?

Mr. GOSS. I do not think so. I do not know whether I had time. Was not that written just a day or so before I left for Washington?

The CHAIRMAN. No; that was in July.

Mr. GOSS. No; I called up his office. I say here:

> Next Wednesday morning, July 18th, I will call your office on arrival.

There was no acknowledgment required. I called his office and found out he was out of town.

The CHAIRMAN. You say in this letter, referring to your recent return from Turkey, and in the course of your visit there:

> I met large numbers of Turkish generals and other officers, many of whom spoke of you and your visit with the greatest enthusiasm.

Then you go on to tell of what he must have done for American business while he was there. What did you understand the general had done while he was in Turkey?

Mr. GOSS. He had simply increased the already high feeling toward America and the American Army and American products.

The CHAIRMAN. Any specific product?

Mr. GOSS. No; I do not know of anything specific. The only thing specific which was told me in that connection, which, so far as I know, had nothing to do with any American business, was that they told me that everyone thought so much of General MacArthur that he had made the remark to one of the staff officers while he was there that their uniform collars were too high, and almost immediately after he had left, they had changed the whole uniform and adopted a low collar similar to that which we have.

The CHAIRMAN. Do you wish to make some observations now, Colonel?

Mr. GOSS. Yes, sir.

The CHAIRMAN. You are at liberty to do so now.

Mr. GOSS. Last Monday, Senator Clark, the young boy sitting beside you was your son?

Senator CLARK. Yes, sir.

Mr. GOSS. I have a son about the same age, and I am giving that son boxing lessons. I am doing that on the theory that if he knows how to take care of himself among the boys with whom he plays, that he will have less fights than he would otherwise.

That represents just about my feeling on the attitude of national defense for this country, or for any other country. In other words, I do not believe there is any evidence to show that reasonable preparedness is a necessary cause of war. I also do not see what justification we have for believing that if we are entitled to reasonable preparedness, these smaller countries, who are not able to manufacture within their own borders, any of these standard munitions of the larger countries, I do not see why they should be without the privilege of obtaining them on the outside. That is one angle of it.

The second angle of it which I want to bring out is this: That these products, taking an aerial bomb, for instance, are in this situation: There are probably 10 or 15 different companies which make products which enter into the manufacture of an aerial bomb. It is very much like making an automobile. There are springs made by one company, the stamping is done by another company, the castings are made by another company, and so forth, and so forth. It would be absolutely impossible for this country in time of need to start the manufacture of any of these things in a reasonable time, if someone in the country was not equipped to make them.

I have heard suggestions regarding the nationalization of the munitions business. If we had such a thing for all the articles the United States Army uses, the cost of maintaining such plants in operating order would be absolutely and completely impossible.

I do not know whether it is generally known that when we went into the World War we were in there for a year and a half and there was never in that whole period of a year and a half any American-made gas shells which ever reached the front. That is how long it takes to get into production a thing of this kind.

That is why I wanted, at the time the statement was made, to protest the implication that the American Legion was doing something wrong in protesting an arms embargo, and that is the basis on which I understand the American Legion did protest the arms embargo, because if nobody in this country is tooled up and equipped——

Senator CLARK. I would say, for your information, Colonel, that Colonel Taylor stated to me yesterday that they did nothing of the kind.

Mr. GOSS. I do not know whether they did or not. It was in the newspapers.

Senator CLARK. What is the name of the State commander in Ohio to whom you referred?

Mr. GOSS. John Elden. It was in the newspapers that the American Legion was opposed to the embargo. I do not know whether that was correct or not. But the one point was that if the United States Army abandoned what has been their present policy of encouraging manufacturers to tool up on these things so as to have a source of supply, within a reasonable time, then there would be no opportunity of getting any of these materials in time to do us any good.

It has been the policy, as you probably know, and as we state in our catalog, where everything is right on the table, it has been the policy of the Ordnance Department to encourage manufacturers to tool up and, for that purpose, if we had an order for, let us say, a 30-pound ring type fragmentation bomb, until very recently we could have applied to the Ordance Department to get the specifications on that bomb, whatever they were willing to release. Maybe it would not be the very latest one, but it would be something which would be usable.

The other point which I would like to bring out——

Senator CLARK. Does the Army also manufacture gas of its own?

Mr. GOSS. They manufacture tear gas.

Senator CLARK. Do they manufacture bombs?

Mr. GOSS. No; they do not, so far as I know. They buy forgings from one company, and so forth. They may make the fuzes themselves at Picatinny Arsenal, and I believe they do.

The third point in that same connection which I would like to bring out is this:

It has been a long time since I have studied history, but from what I learned we have had wars ever since the beginning of history, and whether they used a stone on the end of a stick or the latest munitions had no bearing on the question of whether or not they had a war. I also seem to remember that the casualties or deaths for the number of men engaged was stated in history to be far greater than those in the last war, per number of men engaged, and the number of deaths in percentage to the number of casualties was far in excess of it.

I would also like to point out that the casualties in their relations to death from even the things we call poison gas are only about one-fifth the deaths which would ensue from the same number of casualties caused by high-explosive shrapnel or bullets.

That is all on that subject.

There is just one other thing which I have heard here several times, not addressed to me, but to other witnesses before I came on the stand, and that was the question which was something like this:

Is it true that you have furnished gas for use on these poor, hungry strikers?

Now, you will have to admit that that is an implication that there is something wrong about furnishing gas for use on these poor, hungry strikers. And I want to say that I certainly sympathize with labor, and I feel that I would like to know, for my own information, assuming a condition where a group of men, for any reason, is attacking another group of citizens with stones, with clubs, with rifles, or whatever it may be, and they are breaking up property and destroying factories—I would like to know what action is suggested.

Are we to say, "God bless you, my children; go to it"? Or are we going to try to stop it?

I feel we are their best friends. I do not pretend that we are doing it for that reason, and I do not want that suggestion left; but I feel, in general, we are the best friends of labor in providing a means of breaking up certain elements in one group when they go outside the law and attack a group of men or a factory, in stopping them without hurting them.

Senator CLARK. You have heard lately of the difficulties in which the employers were engaged, where they were entirely the aggressors, and these tear-gas bombs might be used as a means of breaking up an entirely lawful and peaceful meeting.

Mr. GOSS. Then I think, if that has happened, sir, it ought to be stopped, and it ought to be dealt with by the authorities in whatever way is necessary. I certainly do not approve of that.

I feel that this business is a perfectly legitimate business, and I do not like to be put in the position of having the public, at least, think we are doing something wrong, because I do not think we are.

The CHAIRMAN. Might the public be wrong in letting you do it?

Mr. GOSS. Certainly, if you want my opinion, it would be no.

The CHAIRMAN. Let us follow this through a little bit. You have argued that the alleged attitude of the Legion on the embargo is so-and-so. You yourself were opposed to the embargo, were you not?

Mr. GOSS. Yes, sir.

The Chairman. Is the committee to assume that your interest in the national defense is such as to dictate that the only way we can have an adequate national defense is to permit the industry to carry on a trade in national-defense items with countries that might some day be our foes in a war, or with countries that might carry on their warfare to a point where we would be dragged in by some means or other?

Mr. Goss. If I understand——

The Chairman. I am asking the question not in a way desirous of wanting to embarrass you as an industrialist engaged in what you consider to be a legitimate business. I am not going to dispute that with you. But I ask the question so as to lead to an expression by you which might make clearer your position on that score.

Mr. Goss. I got sort of lost in the question before we got to the end of it, but if I understand it correctly——

The Chairman. It is this: Is our national defense, an adequate national defense, dependent upon the privilege of American industry to sell arms and ammunitions to countries that might some day be our foes?

Mr. Goss. No; I would not say that it was, but I would say that I would be heartily in favor of restricting the sale to such countries as are not likely to be our foes in the first place.

The Chairman. Who is going to determine which country is not going to be our foe?

Mr. Goss. No one but the State Department, sir. The State Department, if anyone, could determine that. There is one alternative——

Senator Clark. That in itself would be an unfriendly act to some foreign power, if we decided that our industries could export to some countries but not to a particular country because they were a prospective foe, Colonel. That would be one of the greatest elements calculated to bring about war, would it not?

Mr. Goss. We have just taken that position on Bolivia and Paraguay.

Senator Clark. Not on the ground that they were likely to be a prospective foe of the United States, but on the ground that the mere exportation of munitions of war to a country which is likely to use them to engage in war, is a "public nuisance" in an international sense.

Mr. Goss. I do not think the reason for granting the permit would have to be stated, if it were required to obtain a permit for exportation on arms to any country, and the State Department would not have to give any reason for refusing a permit to a certain country, and I do not believe they could make the accusation.

Let me finish up the other thing which has already been suggested down here. I do not say it is impossible to maintain an adequate national defense, if the industry were nationalized, but I say it would cost such sums of money to keep all these various kinds of factories in operation, that it would never be done. That is what I do say.

The Chairman. Then you say that in order to keep these factories going we have got to continue the privilege of selling to other countries?

Mr. Goss. Yes, sir; I think that that is necessary unless some substitute arrangement can be found that is possible from the standpoint of cost.

The Chairman. Why would it not be cheaper for the Federal Government in the long run, perhaps, to subsidize your industry and prevent you exporting any of those materials?

Mr. Goss. I have no way of answering that. I do not know. It is all a question of whether we are ever going to get in a war, and the extent of it when we did. That is something beyond any human possibility to answer.

Senator George. You do not think politically it would be possible, do you?

Mr. Goss. Pardon me.

Senator George. Politically, you do not think it would be possible to have subsidies granted to the industry sufficient to enable them to go on, do you?

Mr. Goss. I understand that a great many other countries do have such subsidies, and at the same time allow munitions to be sold to other countries.

Senator George. Do you know of any other country which depends entirely upon a subsidy for its munitions plants?

Mr. Goss. No; I do not.

There is one other question which I touched on a while ago. In view of some of the things which have come out here, I feel, in justice to ourselves, the question should be asked us, and I have been waiting for it to be asked us, but it has not been asked. That is the question as to whether or not we have ever sold to a revolutionary party. I want to ask that question myself, as Senator Clark stated yesterday, and answer it, "no."

The Chairman. You never have?

Mr. Goss. No, sir.

Senator Clark. The reason I did not ask you that question, Colonel, is because the files did not indicate that.

Mr. Goss. The people listening do not know that, sir, and I wanted that to come out for our own benefit.

Senator Clark. All right, it will appear in the record.

Mr. Huber. It seems that some of the American representatives, diplomatic, and so forth, have been censured in this hearing for having any association with any arms manufacturers or dealers. I just saw something in the New York Times here this morning which indicates very clearly that the French Government does encourage their diplomatic representatives to aid the arms manufacturers of that country to help them sell arms, the same as they would potatoes or any other merchandise they have to sell.

With your permission, I would like to have that part of the Times incorporated into the record.

The Chairman. We have not made it a practice to permit newspaper stories to be incorporated into the record.

Mr. Goss. Mr. Chairman, is it out of order to ask for an expression of views for my own information, or to ask for the attitude of the committee on the question which I asked, as to what action is recommended in case any group of men, for any reason whatever, is breaking up a factory and attacking, with clubs and stones, citizens who want to work in that factory?

The CHAIRMAN. It is not the task of the committee, and I think it is hardly fair to ask any member of the committee to express himself upon it.

Senator CLARK. I have no hesitation in saying that it is my opinion that the interstate shipment or the sale of poison gas or tear gas, for that matter, in the United States, should be subjected to most stringent Federal regulation.

Mr. GOSS. Would you say that we were wrong in supplying tear gas when there is a riot of this kind and the disorder is started and they are attacking the police or a plant or citizens who want to work?

Senator CLARK. I will say that at least it is not unlawful at the present time, but I think it should be under very stringent Federal regulation.

Mr. GOSS. I know it is not unlawful, but is it wrong?

Senator CLARK. That is a matter for yourself to determine.

Mr. GOSS. All right.

Senator CLARK. I personally think it is.

Mr. GOSS. That, of course, leads to the inevitable conclusion, what would you do?

The CHAIRMAN. Any further questions? If not, gentlemen, you may understand yourselves to be excused.

Mr. GOSS. Thank you.

The CHAIRMAN. Before recessing for lunch, the Chair is asked to offer for the record a letter dated September 20, 1934, from Mr. Spear, the vice president of the Electric Boat Co., in which he complies with requests which were made of him when he was on the stand before the committee.

He supplies now the original license contract with the Sociedad Española de Construccion Naval, of Spain, the agreement spoken of, made at London on the 18th day of June, 1912.

He also proceeds to deal with the subject of the transportation to Europe, procured by the Electric Boat Co. for Mrs. Howe, and referred to in the letter from Mr. Carse that was dated February 28, 1928. Respecting Mrs. Howe he says:

> As to (b), please be advised as follows: It is a custom in the shipbuilding world for naval vessels to be sponsored at their launching by the wives or daughters of prominent Government officials nominated by the Government. It is also customary for the sponsors and their parties to be guests of the shipbuilder. In accordance with this custom, Mrs. Howe and Senora Leguia (wife of the President of the Peruvian Senate) were selected by the Peruvian authorities to sponsor the Peruvian submarines R–3 and –4, respectively. As the sponsors were guests of the company, their traveling expenses were assumed by us. As it happened, Mrs. Howe preferred to go to Europe after the launching instead of returning directly to Peru. The company accordingly secured and paid for the necessary accommodations in lieu of the return passage to Peru. The phrase in Mr. Carse's letter "the other outlay" refers to the balance of the traveling expense for which we reimbursed Mrs. Howe. Except for this traveling expense, no other outlay was ever contemplated, agreed to, or made.
>
> 4. As Senora Leguia was unable to leave Peru in time to sponsor the *R–4*, she nominated Senora Aubry to act in her place, and, as in the case of the *R–3*, the traveling expenses involved were defrayed by us.
>
> As you will see from the above, there was nothing whatsoever out of the way about the transaction with Mrs. Howe, as everything that was done was

openly done in accordance with a long-established practice in the shipbuilding world.

The agreement between the Electric Boat Co. and the Spanish company, dated June 18, 1912, will be marked as an exhibit and printed in the record.

The letter just referred to from Mr. Spear of the Electric Boat Co. will also appear in the record.

(The letter referred to was marked "Exhibit No. 811" and is included in the appendix to Part I, on p. 455.)

(The agreement referred to was marked "Exhibit No. 812" and is included in the appendix to Part I, on p. 455.)

The CHAIRMAN. The committee will be in recess until 2:30.

(Whereupon the hearing was recessed until 2:30 p.m.)

AFTER RECESS

(The hearing was resumed at 2:40 p.m., pursuant to the taking of recess.)

The CHAIRMAN. The committee will be in order.

We will call Mr. Tupper.

TESTIMONY OF E. A. TUPPER

DEPARTMENT OF COMMERCE STATISTICS REGARDING EXPORT OF MUNITIONS

(The witness was duly sworn by the chairman.)

The CHAIRMAN. Your full name is what?

Mr. TUPPER. Ernest A. Tupper.

The CHAIRMAN. And you are with the Bureau of Foreign and Domestic Commerce?

Mr. TUPPER. Yes, sir.

The CHAIRMAN. In what capacity?

Mr. TUPPER. I am Chief of the Division of Foreign Trade Statistics.

The CHAIRMAN. We are wanting this afternoon to confirm certain figures as relates to the exportation of munitions, and we will concern ourselves first with the figures relating to Japan in the matter of cotton linters.

What was the total quantity in bales exported to Japan in 1929, according to your figures?

Mr. TUPPER. In 1929 our records indicate that 3 bales were exported.

The CHAIRMAN. Three bales?

Mr. TUPPER. Yes, sir.

The CHAIRMAN. What was the general tenor of exportation of cotton linters up to that time? Was that an exceptional year, or is the committee justified in concluding that there never had been very much exportation to that country of that commodity?

Mr. TUPPER. I have not checked the figures previous to 1929, but it would appear that the three bales was rather small.

The CHAIRMAN. That it was rather small?

Mr. TUPPER. Yes, sir.

The CHAIRMAN. Exceptionally small?

Mr. TUPPER. I should think so. I have not checked the figures, however.

The CHAIRMAN. What were the exportations in 1931 of cotton linters?

Mr. TUPPER. In 1931 our records indicate that we exported 4,938 bales to Japan.

The CHAIRMAN. And what was the exportation in 1932?

Mr. TUPPER. In 1932 the exportation amounted to 14,871 bales.

The CHAIRMAN. And in 1933?

Mr. TUPPER. Ten thousand six hundred and forty-four bales.

The CHAIRMAN. I wish we might know in a general way how unfair the figure of three bales in 1929 might be as reflecting exports up to that time. You are not able to do any more than guess at this time, I take it.

Mr. TUPPER. I could expand on that a little bit in the record, if you want me to.

(NOTE: Figures submitted subsequently by Mr. Tupper to the committee show exports of cotton linters to Japan as follows: 1928—164 bales, 1927—7 bales, 1926—4 bales, 1925—15 bales.)

The CHAIRMAN. I wish you would.

Mr. TUPPER. I shall be very glad to do so.

The CHAIRMAN. This would indicate that between 1929 and 1933 there was an increase in the exports of cotton linters to Japan of something like 354,000 percent.

Mr. TUPPER. That is correct.

The CHAIRMAN. Your department also collects figures on amount of cotton linters exported on the pound basis as distinguished from the bale basis?

Mr. TUPPER. Yes, sir.

The CHAIRMAN. Your statistics have revealed exportations on the pound basis as well as the bale basis?

Mr. TUPPER. Yes, sir.

The CHAIRMAN. Is the committee to understand that this poundage is included in the showing of bales that has been made?

Mr. TUPPER. Yes, sir. The exporter in reporting his transactions in the case of cotton reports both the pounds and the bales; and the Department of Commerce compiles the figures on both bases.

The CHAIRMAN. On the basis of bales exported, the percentage of increase over 1929 is shown to be 354,700 percent, and on the basis of pounds exported it is shown to be 617,000 percent. How are we to account for that?

Mr. TUPPER. In 1929 there were three bales, and the number of pounds in those bales was 1,110. Usually a bale of cotton will run 500 pounds or more and from an examination of the figures for 1931, 1932, and 1933 it appears that the number of pounds per bale was somewhat in excess of 600. So these three bales in 1929 were probably unusually low in weight.

The CHAIRMAN. As to the exports of bar lead. Have the exportations of bar lead to Japan in the past few years been large?

Mr. TUPPER. Our exports of bar lead to Japan account for almost all of our exports of bar lead. In 1932 we had a total export of bar lead to all countries of 46,774,658 pounds. In that year roughly 40 millions of those pounds went to Japan.

In 1933 a similar condition existed. Our total exports were in excess of 45,000,000 pounds and our exports to Japan were in excess of 42,000,000 pounds.

The CHAIRMAN. Are our figures correct when they show that in 1929 the exportation of bar lead to Japan was 32,608,618 pounds?

Mr. TUPPER. That is correct.

The CHAIRMAN. In 1931, 34,601,681 pounds?

Mr. TUPPER. That is correct.

The CHAIRMAN. And in 1932, 40,438,970 pounds?

Mr. TUPPER. That is correct.

The CHAIRMAN. And in 1933, 42,472,198 pounds?

Mr. TUPPER. That is correct.

The CHAIRMAN. As to scrap iron and steel, did the exportation of that product to Japan in 1933 show a substantial increase over her purchases from us in other years?

Mr. TUPPER. Yes, sir. In 1929 there were 208,260 tons of scrap iron and steel exported to Japan.

In 1931 and 1932 the exports dropped down to 48,036 tons in 1931 and 164,001 tons in 1932.

In 1933 the exports of scrap iron and steel amounted to 547,939 tons which is an increase over 1929 of 163 percent.

The CHAIRMAN. A 163 percent increase?

Mr. TUPPER. Yes, sir; compared with 1932 the increase would be much more substantial on a percentage basis.

The CHAIRMAN. Do you have any information as to what the exportations thus far have been in this year?

Mr. TUPPER. Yes. From the 1st of January to the 31st of July this year the amount has been 508,885 tons or practically as much as we exported in 1933.

The CHAIRMAN. Is Japan shown to be our best customer now in scrap iron and steel?

Mr. TUPPER. In 1932 Japan purchased 72.1 percent of the total exports of scrap iron and steel and in 1933 the percentage dropped slightly, to 70.8 percent. In the period January 1 to July 31, 1934, the proportion of our exports of scrap iron and steel taken by Japan was 56.9 percent.

The CHAIRMAN. Indicating that there had been a tremendous increase in the exportations of scrap iron to other countries as well?

Mr. TUPPER. That is correct.

The CHAIRMAN. I have before me figures indicating that of sodium nitrate Japan has increased her purchases from us in recent years as follows: 1929, 3,189 tons; 1931, 2,000 tons; 1932, 14,617 tons; 1933, 13,320 tons. Are these figures correct?

Mr. TUPPER. These are the figures that appear in our records.

The CHAIRMAN. Indicating an increase over 1929, for the year 1933, of approximately 318 percent?

Mr. TUPPER. Yes, sir.

The CHAIRMAN. Let us take the figures as relate to the exportation of cotton linters to Germany. Is there shown to have been an increase in Germany's importations of American cotton linters during recent years?

Mr. TUPPER. Yes, sir. In 1931 our statistics indicate 45,368 bales, or 27,631,000 pounds.

In 1932 there was a slight increase in both the bales and the pounds, the figures being 45,756 bales, or 28,219,000 pounds.

In 1933 there was a substantial increase to 63,240 bales, or 39,679,000 pounds.

The CHAIRMAN. What are your figures as regards the exportation of cottonseed fibers to Germany?

Mr. TUPPER. In 1932 our figures indicate 295 bales, or 172,625 pounds. In 1933, 4,056 bales, equal to 2,622,158 pounds.

The CHAIRMAN. What can you tell us of the exportation of airplane engines to Germany through the last 3 years?

Mr. TUPPER. In 1931 the statistics indicate an export of 7 engines to Germany; 1932, 23 airplane engines; in 1933, 48 airplane engines.

The CHAIRMAN. Has Germany increased her importations of American sodium nitrate during recent years?

Mr. TUPPER. Yes, sir. In 1931 there were 94 tons exported to Germany; in 1932, 496 tons; and in 1933, 2,418 tons.

The CHAIRMAN. Let us see what our export business to Colombia has been in the munition line. We understand from your statistics that of bar lead—and there is a notation in parentheses " foreign ore "—what is the meaning of that?

Mr. TUPPER. I have not checked that up, but I believe that " bar lead foreign ore " represents lead that was brought into this country in the form of ore and melted here and then exported.

The CHAIRMAN. Is there shown to be a large increase in the exportations of bar lead to Colombia?

Mr. TUPPER. In 1933 as compared with both 1932 and 1931 the figures are much larger. In 1931 we exported 11,311 pounds; in 1932, 4,177 pounds; and in 1933, 175,412 pounds.

The CHAIRMAN. What is bar lead used for?

Mr. TUPPER. I am not a minerals expert, I am sorry I cannot say.

The CHAIRMAN. You do not know what its general use is?

Mr. TUPPER. No.

The CHAIRMAN. Let us take the airplane shipments to Colombia. What is shown to be the fact as to 1929, 1931, 1932, and 1933?

Mr. TUPPER. In 1929 the statistics indicate a shipment of 1 airplane to Colombia; in 1931, 4 airplanes; in 1932, 9 airplanes; and in 1933, 30 airplanes.

The CHAIRMAN. As to airplane engines, what can you tell us of the exportations to Colombia?

Mr. TUPPER. In 1929, 3 airplane engines were exported to Colombia; in 1931, 3 engines; in 1932, 12 engines; and in 1933, 20 engines.

The CHAIRMAN. Let us take nitrocellulose. During the Letitia dispute, did Colombia increase her purchases of this commodity from the United States?

Mr. TUPPER. Yes, sir. The exports in 1931 are reported to have been 3,751 pounds; in 1932, 8,004 pounds; and in 1933, 9,617 pounds.

The CHAIRMAN. Of sodium nitrate, the exportations to Colombia, as I have the figures before me, indicate that in 1929 the total exports amounted to 1 ton; in 1931, 3 tons; in 1932, 37 tons; and in 1933, 61 tons. Is that about right?

Mr. TUPPER. That is right, according to our records.

The Chairman. Let us see what the exportations have been of these commodities to Bolivia. What do you have indicating exportations in 1932 and 1933 of airplanes?

Mr. Tupper. In 1952 the statistics reveal exports of 15 airplanes to Bolivia and in 1933, 7.

The Chairman. And what of airplane engines?

Mr. Tupper. Of airplane engines in 1932 the exports total 4, and in 1933, 9.

The Chairman. From your records, the committee has taken figures revealing exportations to Bolivia of metallic cartridges of the following amounts: In 1929, 15,420 rounds; 1931, 320,000 rounds; in 1932, 2,570,000 rounds; in 1933, 4,655,000 rounds. Are those correct according to the figures you have?

Mr. Tupper. My record agrees with yours.

I should like to ask the permission of the committee to check these statistics that I am giving against our records in the office and to make any corrections of errors that may appear.

The Chairman. That permission, of course, will be granted.

Is it not a fact that in 1933 according to the records of your bureau 50 machine guns were shipped to Paraguay?

Mr. Tupper. In 1933 we shipped 50 machine guns and heavy ordnance guns and carriages. The classification does not distinguish between machine guns and heavy ordnance guns and carriages. So that these 50 guns may have been partly machine guns and partly heavy ordnance. But I would think that from the prices quoted, dividing the quantity into value, it is quite possible that the largest part of them were machine guns.

The Chairman. Are you prepared to tell just what part of that total of 50 might be machine guns?

Mr. Tupper. I regret to say that I am not. These statistics do not distinguish between the two types of guns.

The Chairman. Fifty machine guns, taking the classification as it is, exported to one country would be considered a pretty large total of exports, would it not?

Mr. Tupper. In 1933 the shipments to only two other countries were larger than that reported for Paraguay. Our reported exports to Argentine amounted to 606 guns and to the Dominican Republic 55 guns. Brazil in 1932 took 275 guns.

The Chairman. It is pretty generally understood that Peru has purchased very largely of her war supplies from England and from other European countries. Would this fact be at all indicative of the reason for our limited exportations of American munitions to Paraguay?

Mr. Tupper. If the statistics of imports of Paraguay indicated a much larger importation of guns than the 50 from the United States, I should think that would account for it.

The Chairman. Let us concern ourselves with the exportation of these commodities to China. Of airplanes, according to the figures which have been given to us by the Department of Commerce, in 1929 we exported 30 airplanes; in 1931, 43; in 1932, 22, and in 1933, 120 airplanes.

Mr. Tupper. These statistics you have cited for China include Hong Kong. In our foreign-trade statistics we differentiate between China and Hong Kong.

The CHAIRMAN. Of airplane engines, is it not true that the exportation of these to China in 1929 was 9; in 1931, 44; in 1932, 9; in 1933, 15, according to the Department of Commerce records?

Mr. TUPPER. Yes, sir. Those figures are indicated in our records.

The CHAIRMAN. What is revealed as respects exportations to China of nitrocellulose?

Mr. TUPPER. In 1929 the figures indicate exports of 3,608 pounds; in 1931, 3,924 pounds; in 1932, 3,366 pounds; and in 1933, 11,354 pounds.

Senator CLARK. Have you got the value of those shipments?

Mr. TUPPER. I could give you the 1932 and 1933 values.

Senator CLARK. I was interested in the 1933 value.

The CHAIRMAN. Of nitrocellulose, this would show an increase for 1933 over 1929 of 215 percent.

Mr. TUPPER. Yes, sir.

The CHAIRMAN. And an even larger increase over 1932, of course.

Mr. TUPPER. Yes, sir.

The CHAIRMAN. Revolvers and pistols is the next head. What is your showing of shipments of these commodities to China in 1929?

Mr. TUPPER. Exports to China and Hong Kong in 1929 amounted to 1,188.

The CHAIRMAN. 1931?

Mr. TUPPER. Six hundred and eighty-two.

The CHAIRMAN. 1932?

Mr. TUPPER. Two thousand and twenty-four.

The CHAIRMAN. 1933?

Mr. TUPPER. One thousand two hundred and nine.

The CHAIRMAN. Is it true that the sales for the years 1931 and 1932 and 1933 there are larger than the sales to any other country?

Mr. TUPPER. I have not that right at hand.

The CHAIRMAN. Do you have any information at hand revealing the exportations of revolvers and pistols to other countries?

Mr. TUPPER. Yes, sir.

The CHAIRMAN. Let us have the figures that are available at this time.

Mr. TUPPER. In 1933 the largest shipment of revolvers and pistols were shipments totaling 10,060, valued at $238,636, to Argentine. The exports to China were the next largest.

The CHAIRMAN. Those were the next largest?

Mr. TUPPER. Yes, sir.

The CHAIRMAN. Is it true that China purchased 51 machine guns in 1933, according to your records?

Mr. TUPPER. Yes, sir; China and Hong Kong purchased that number of machine guns and heavy ordnance guns. The same explanation holds for that as in the other case. We do not separate them.

The CHAIRMAN. China is also the purchaser evidently of large quantities of metallic cartridges. What were her importations of American metallic cartridges in 1929?

Mr. TUPPER. In 1929 there were reported exports of 20,540 rounds.

The CHAIRMAN. In 1931?

Mr. TUPPER. 1,528,000 rounds.

The CHAIRMAN. And in 1932?

Mr. TUPPER. 125,800 rounds.

The CHAIRMAN. And 1933?

Mr. TUPPER. 1,421,000 rounds.

The CHAIRMAN. All in all the indication would seem to be that while there was a depression in foreign trade, that was true as regarded everyone except the munitions makers; is that correct?

Mr. TUPPER. I prefer not to comment on that, Mr. Chairman.

The CHAIRMAN. Very well, I do not think you should be asked to pass judgment on that. But in all of these cases there has been a large increase of exportations, has there not?

Mr. TUPPER. Without exception these statistics that you have called upon me to supply have shown large increases.

The CHAIRMAN. Generally speaking, has our foreign trade fallen off since 1929, materially?

Mr. TUPPER. Our foreign trade has fallen off very decidedly throughout 1930, 1931, and 1932.

The CHAIRMAN. There was some pick-up in 1933?

Mr. TUPPER. In 1933, following the suspension of gold payments, there was a decided improvement immediately in imports and towards the end of the year in exports.

The CHAIRMAN. How do you gather these statistics?

Mr. TUPPER. These statistics are submitted by the exporter or the importer on forms provided by the customs house to the collector of customs. Each shipment is recorded in the case of exports on a declaration form in the case of imports on an entry form. These entries and declarations are sworn to, presented to the collector of customs who, in turn, transmits them to an office in New York of the Division of Foreign Trade Statistics, where they are coded and checked, punched, and tabulated on tabulation machines, coded, and forwarded to Washington for publication and analysis.

The CHAIRMAN. What is the penalty for deception in supplying information in these reports?

Mr. TUPPER. There is no penalty for showing misleading information on the documents. There is a penalty of $50 for failure to supply an export declaration to the collector of customs.

Senator CLARK. Is there anything to hinder an American manufacturer of airplane engines, we will say, from labeling his airplane engines as autmobile engines, billing them to Holland, let us say, or Poland, and then wirelessing the ship at sea to deliver them to Germany. Is there any governmental agency that can interfere with such a practice as that?

Mr. TUPPER. No, sir; the Department of Commerce has not any specific illustrations of willful intent to mislead the compilers of statistics.

Senator CLARK. But there is nothing in the law at the present time or in the practice to prevent such a thing as that being done.

Mr. TUPPER. No, sir.

Senator CLARK. In other words, if I wanted to mislead you as to your statistics, for some purpose of my own, I could label the shipment to Holland or Poland as automobile engines and I would not suffer any penalty for doing that.

Mr. TUPPER. Not so far as I know, except that it is a sworn statement.

Senator CLARK. And actually I could have it delivered in Germany by wirelessing the ship at sea, although I had them billed to

Poland or Holland, and that could be done without any interference of any governmental agency?

Mr. TUPPER. I think that is true.

The CHAIRMAN. This morning we had testimony of a shipment of munitions to a South American country upon orders to label them and bill them as drugs instead of munitions. In that case, whatever was shipped would appear in your statistics as drugs, would it not?

Mr. TUPPER. Yes, sir; that is correct.

The CHAIRMAN. Do you exercise any control at all over the matter of compelling the proper labeling of exportations?

Mr. TUPPER. We have no power whatsoever in compelling the exporters to do certain things. The Bureau of Foreign and Domestic Commerce through its commodity divisions is attempting to educate the exporters from time to time concerning the way they should fill out their documents and submit them to customs, but we have no power to enforce anything.

TESTIMONY OF STEPHEN W. HAMILTON

DIFFICULTIES IN CONTROL OF EXPORTATION OF ARMS

(The witness was duly sworn by the chairman.)

The CHAIRMAN. Mr. Hamilton, your full name is Stephen W. Hamilton?

Mr. HAMILTON. Yes, sir.

The CHAIRMAN. What is your official title?

Mr. HAMILTON. Deputy collector of customs.

The CHAIRMAN. At what port?

Mr. HAMILTON. New York.

The CHAIRMAN. What are your duties, as such?

Mr. HAMILTON. I am in charge of the marine division, one of the subdivisions of the office, having to do with the documentation, generally the movement of vessels, and the gathering and collecting export statistics, the enforcement of exportation regulations, the control of commodities, and the assessment of navigation fines.

The CHAIRMAN. How are these duties determined? Does the law determine them, or are they determined by regulation and precedent?

Mr. HAMILTON. Statutory regulation and laws. I might refer specifically to the Revised Statutes, sections 4197 to 4200, which will cover the exportation of all commodities, that is, what is required of the steamships and what is required of the individual exporter.

The CHAIRMAN. There are general regulations covering the issue of exportation?

Mr. HAMILTON. Yes, sir.

The CHAIRMAN. How do they apply to the port of New York as one unit?

Mr. HAMILTON. The law itself, I do not want to say, is archaic, but it goes back to 1799 and 1820, and practically remains the same today without amendment. There are requirements in the law that it is generally recognized are impracticable of enforcement, which has long since been recognized, and the deficiency has been corrected by regulations.

The CHAIRMAN. The port of New York is not fitted in such a way as to make those regulations a matter of simplicity; is that the conclusion to be drawn?

Mr. HAMILTON. We have endeavored to do it but, of course, the regulations are promulgated by the Secretary of the Treasury.

The CHAIRMAN. When an emergency arises from a Presidential order covering an embargo, pending the receipt of that order, what can you do? Are there any acts you might take before the orders are received—legal?

Mr. HAMILTON. I suppose they could be considered legal, but our first source of information is the press.

The CHAIRMAN. Do you then try to comply with that order?

Mr. HAMILTON. Yes; we immediately endeavor in our rights to try to enforce the requirement.

The CHAIRMAN. You practice a discretionary power in that respect?

Mr. HAMILTON. I would say it is not an exercise of discretion at all. As a matter of fact the people we are to advise would be the steamship people, and my experience is that they are perhaps a little better advised as to the embargoes than we are in the beginning.

The CHAIRMAN. What measure of censure are you up against when you take that action prior to the receipt of official orders from the Department?

Mr. HAMILTON. I think it is rather pleasing to all concerned to feel we are alive to the possibilities, and we do everything we can to prevent exportation of any commodity in violation of a proclamation.

The CHAIRMAN. Do private individuals who want to make shipments but are prevented from doing so under the embargo, censure you because you do take the action taken prior to the receipt of your official orders?

Mr. HAMILTON. I have yet to have any occasion to pass judgment on that; I have never been approached.

The CHAIRMAN. You have never had any such experience?

Mr. HAMILTON. No; I never have.

The CHAIRMAN. When the existing embargo on arms to Chaco was announced, did you first learn of it through the newspapers?

Mr. HAMILTON. In that instance, I think we received a wire from Washington. As a matter of fact there is no embargo on shipments but there is an embargo on the sale of munitions and no embargo on shipments.

The CHAIRMAN. How long after that embargo was ordered were you officially notified of it?

Mr. HAMILTON. That was, I think, only a few days, 1 or 2 days afterwards that we received a telegram. I would not like to state positively, but it was very shortly after the embargo was announced.

The CHAIRMAN. What did you do in the meantime?

Mr. HAMILTON. We had several applications in that time. The embargo, as I recall, was dated May 28, but we had several applications to export, and when the declaration was presented, we stopped it and advised the Department of the effort to export the commodity—the airplanes.

The CHAIRMAN. There was some dispute, was there not, as to just what that embargo meant, at the time?

Mr. HAMILTON. Yes; we were a little in doubt, but in our effort to comply strictly with the requirement, we went a little further possibly than was necessary.

Senator CLARK. When you are in doubt, you ask for a ruling?

Mr. HAMILTON. Yes.

The CHAIRMAN. To whom do you apply for a ruling?

Mr. HAMILTON. The Treasury Department.

The CHAIRMAN. Do you get any ruling from the State Department?

Mr. HAMILTON. Only when we are instructed to present requests to them. Our instructions are to present the questions to the United States attorney, and when anybody presented the documents for export on any commodity that might come under the law, or under that provision, it is submitted to the United States attorney to determine as to whether the contract was entered into prior to the proclamation, and so on.

The CHAIRMAN. What was the final ruling as respects that embargo order?

Mr. HAMILTON. There has been no final ruling that I am aware of. As a matter of fact in our operations we consider that there is an embargo, and we are not taking any chances, but referring everything to the United States attorney.

The CHAIRMAN. Tell us in general what is your procedure under that embargo now.

Mr. HAMILTON. Anybody presenting an export declaration, we would refuse to pass it, and refer it to the attorney, and the person would be required to submit his proof that the shipment was a legal one.

Senator CLARK. He would have to go up and fight it out with the district attorney?

Mr. HAMILTON. Yes; and the district attorney would indicate on the application whether it was O.K.

The CHAIRMAN. In fact, you are doing more to enforce that embargo than is required, by demanding that shippers present their documents to the district attorney's office?

Mr. HAMILTON. Yes; we are not taking any chances, but we are referring them to the United States district attorney.

The CHAIRMAN. To what extent is your office dependent on the steamship companies for notice of shipment that might be prohibited by the embargo?

Mr. HAMILTON. We are largely dependent on that. As a matter of fact, if it was not for the very evident effort of the steamship company to comply with the embargo we would in many instances be helpless, we would not know anything about it.

The CHAIRMAN. Is it not true that frequently these export declarations are presented after the vessel has sailed?

Mr. HAMILTON. Very frequently.

The CHAIRMAN. Are you holding up all shipments to the Chaco, or only those that are evidently munitions?

Mr. HAMILTON. Anything that would come under the general heading of munitions of war is held up. It is a rather difficult thing, sometimes, to determine what is and what is not.

Senator CLARK. We had testimony here this morning, for instance, that shipments to the Chaco, tear gas and sickening gas, had been shipped labeled as drugs or chemicals, and shipped to a drug company in South America, in one of the South American countries. Would you have any means of getting at the fact as to whether it was tear gas or sickening gas, assuming it was one of the countries covered by the embargo?

Mr. HAMILTON. No; but on account of our more or less dependency on the steamship companies, we have appointed inspectors and have advised them that anything coming under their notice that looks to them to be included under that general heading, to notify us immediately, and we instruct them not to permit the lading on the ship of anything there might be any doubt of at all.

The CHAIRMAN. Suppose it was marked " machinery ", what would you do with it?

Mr. HAMILTON. We don't do anything.

Senator CLARK. You do not open up the boxes to see what they are?

Mr. HAMILTON. Oh, no.

The CHAIRMAN. If the crate is labeled " machinery " you assume that has no relation to arms?

Mr. HAMILTON. Absolutely, and we do not do anything about it.

Senator CLARK. If somebody wanted to send out machine guns and labeled them machine parts, they would go right on out?

Mr. HAMILTON. Yes; there is no question about it.

The CHAIRMAN. What is the penalty, under the law, for falsifying the labeling on the declaration?

Mr. HAMILTON. There is no penalty at all that I know of, excepting the penalty referred to by Mr. Tupper, which is $50 penalty for failure to file a declaration, and they never fail to file it.

Senator CLARK. If they were to send out tear gas or mustard gas or anything else like that, and label it quinine, there would be no way of questioning it?

Mr. HAMILTON. Exactly.

The CHAIRMAN. If the steamship company failed to file a declaration, how would you know about it?

Mr. HAMILTON. We would not know anything about it. I assume you are speaking of a misdescription?

The CHAIRMAN. That is right. How long after the ship had sailed with such a cargo would you be able to get the export declaration?

Mr. HAMILTON. Why, we have a rule of 4 days for filing the manifest, and frankly, if I can get it in 6 days I think Mr. Tupper would think I was a wonder, and getting statistics in fine shape.

The CHAIRMAN. Suppose the steamship company did not report the shipment on the manifest at all, is it a fair conclusion that you would never learn about it?

Mr. HAMILTON. It is absolutely true, and if it were not for the provision in the rules, many instances could occur that they could ship a thing out and we would not know about it. As a matter of fact we are not in a position to speak with any degree of accuracy only in the instances where American goods are returned, and then we know that there was an error in the manifest.

The CHAIRMAN. How much water front is there in the port of New York?

Mr. HAMILTON. I have read that taking the piers and bulkheads into account, there is some 800 miles approximately in that neighborhood.

The CHAIRMAN. What are the facilities of your department for patrolling that?

Mr. Hamilton. We have the outside force of inspectors, and the port is divided into districts, each district under the command of the deputy surveyor. Then there are stations and an inspector in charge of each station with the other inspectors under him. It is a difficult problem, and I do not know the exact number of men now, but I should say approximately somewhere between 500 and 600 inspectors, and they have to do with the discharging of the ships and many other duties to perform.

The Chairman. The facts are that certainly it could not be said there is ample patrolling, and there could be departures without the knowledge of the service.

Mr. Hamilton. The thought occurs to me what good would patrolling do if the steamship companies receive a package said to contain commodities of a certain kind. They do not verify it. Of course, they are concerned in the freight that they collect, and if they have reason to suspect a shipper has misdescribed his commodity, I dare say they would take steps themselves to insure the collection of the proper rate of freight.

Senator Clark. You mean explosives would carry a higher rate than wheat?

Mr. Hamilton. Yes; and calendered paper would take a higher rate than common newspaper or scrap paper.

The Chairman. Let us assume a shipment is received at the port this morning, that you have good reason to believe the shipment will be contrary to the embargo, would you refer that to the district attorney's office?

Mr. Hamilton. Our first action would be to advise the department, and through our own special agency service get on the job immediately, and all persons that would be in position to act, such as the secret service and the special agency service inspectors, would immediately get on the job.

The Chairman. How do you get notice of what the decision of the district attorney's office is?

Mr. Hamilton. His check on our export declaration. He will indicate on there, and then we are in telephone communication with him.

The Chairman. So that a good bit of that is by telephone?

Mr. Hamilton. Yes; we telephone on our own initiative.

The Chairman. I was just going to ask about that.

Mr. Hamilton. We will not take a telephone message from some person we do not know who is telephoning. We call him, and he will advise us that the shipment is all right, and if that is corroborated by his check on the declaration, it will be all right.

The Chairman. So it would not be possible for a bootlegger to call and tell you he was the district attorney's office and tell you to release that shipment?

Mr. Hamilton. Oh, absolutely no.

The Chairman. As to your authorization in releasing these shipments, do you have any documentary proof of that authorization?

Mr. Hamilton. We will not permit any goods we think embargoed goods to go out unless we have the release. For instance, on munitions, that would call for a State Department authorization.

The CHAIRMAN. Now, going back over the ground we have gone over, what do you think would be necessary improvements and regulations or law to make these embargoes effective?

Mr. HAMILTON. The amendment, first of all, of the present sections of the statutes 4197 to 4200. I have very pronounced views on that.

The CHAIRMAN. I wish you would advise us a little more generally in what manner you think they ought to be amended.

Mr. HAMILTON. Speaking for the port of New York, a part of my job is to gather these statistics and to verify them. Now, the steamship companies are required to give us manifests of the cargo of the ship. Under our present practice, they are required, for instance, to give us the value of the commodity. That long, long since has been recognized as impracticable, because they do not know anything about it, any more than we know. But we do consider the shipper's export declaration as part and parcel of the manifest, which supplies the deficiency, showing the value.

The CHAIRMAN. Would you fix severe penalty for mislabeling?

Mr. HAMILTON. Yes. The steamship companies, of course, are very careful about the labeling, because they have their insurance requirements to meet and all of that, and they will not carry them if they know it, and we have our laws that prevent the carriage of explosives on passenger steamers, for instance; and they are very careful on all of those things.

The CHAIRMAN. Until such amendments are adopted, there really cannot be an effective embargo, can there?

Mr. HAMILTON. I would say so. I would be glad to offer for consideration a few suggestions that would be very effective, and I know that from the statistical standpoint it would insure accurate statistics quickly obtained.

Senator CLARK. I am certain, Mr. Hamilton, the committee would be glad to have those suggestions.

Mr. HAMILTON. This, of course, is my view. The responsibility as to the statistics is mine, and I know that Mr. Tupper here thinks very unkindly of me sometimes, and he often has doubts we are getting the kind of statistics he wants. Of course, I am saying this in a jocular vein, but I do think slight amendments of the existing law—only slight amendments—would be of assistance. For instance, the deletion of a phrase or a clause would work wonders. If would modify our procedure greatly, and have the general effect of hastening the statistics, to make the shipper toe the mark.

Revised Statute 4197 calls for the master or person—shall I read the whole section?

Senator CLARK. Yes; if you will.

Mr. HAMILTON. The section of the statute referred to reads as follows:

> The master or person having the charge or command of any vessel bound to a foreign port, shall deliver to the collector of the district from which such vessel is about to depart, a manifest of all the cargo on board the same, and the value thereof, by him subscribed, and shall swear to the truth thereof; whereupon the collector shall grant a clearance for such vessel and her cargo, but without specifying the particulars thereof in the clearance, unless required by the master or other person having the charge or command of such vessel so to do. If any vessel bound to a foreign port departs on her voyage to such

> foreign port without delivering such manifest and obtaining a clearance, as hereby required, the master or other person having the charge or command of such vessel shall be liable to a penalty of five hundred dollars for every such offense.

That is the only penalty that I know of. That statute was enacted in 1799, and the steamship companies and we, at the port of New York, are trying to enforce that law today, in 1934.

Senator CLARK. In other words, there has been no change at all since 1799?

Mr. HAMILTON. There have been one or two slight amendments, but nothing that affected it, and that is the basic law.

I would suggest that the steamship company be not required to state the value, or in other words, to delete the clause, "and the value thereof."

Then, the next suggestion is a minor thing, but I would suggest that collectors would not be required, in granting clearances to specify the particulars thereof, because, while this has never happened so far as I know, yet some fellow that wanted to embarrass us could call for us to include in the draft a recital of the entire cargo of the vessel. That is possible although it has never occurred, and there is no reason for having it in the book.

I would delete from the very next section which calls for the master's oath, where he must swear to the value of it. What does the master know about the value of the package, so cut that out. The form calls for the value at the port of exportation to be sworn to by the master, and that has since been amended, quite recently, to permit the oath to be taken by any deck officer or the purser of the vessel, which is a very recent amendment.

Senator CLARK. Passed at the last session of Congress, I believe.

Mr. HAMILTON. I would substitute in place of the value at the port of exportation, the name of the exporter.

Now, practically the same requirement appears in the next section, 4200, which says:

> Before a clearance shall be granted for any vessel bound to a foreign port, the owners, shippers, or consignors of the cargo of such vessel shall deliver to the collector manifests of the cargo, or the parts thereof shipped by them respectively, and shall verify the same by oath.

That is the shipper's export declaration heretofore referred to. Then the statute reads:

> Such manifests shall specify the kinds and quantities of the articles shipped respectively, and the value of the total quantity of each kind of articles; and the oath to each manifest shall state that it contains a full, just, and true account of all articles laden on board of such vessel by the owners, shippers, or consignors, respectively, and that the values of such articles are truly stated, according to their actual cost, or the values which they truly bear at the port and time of exportation. And before a clearance shall be granted for any such vessel, the master shall state, upon oath, to the collector, the foreign port or country in which such cargo is truly intended to be landed.

But there is absolutely no penalty with reference to this section.

Now, I have no hesitancy in saying that the statistics today are far superior to what they were some years ago; we are getting fairly good compliance with the requirements, although by no means perfect or 100-percent compliance.

I do not know that this will be agreed to, but I would delete the requirement that the shipper shall verify the same by oath. I think an "on honor" statement of the principal or representative or agent, with full knowledge of the facts as to the quantity, description, and value of the commodity sent down to us would be far better than receiving the declaration of an office boy or person who would be sent down to swear to a statement who, in the final analysis, does not know to what he is swearing. We have had instances of that kind where they have sent boys down and have tried to require them to send adults. My experience is that some boys have better heads than some adults that would come along.

Another thing, I am firmly of the belief that if the obligation of swearing to it were deleted it would be appreciated by the merchants, and it would save considerable expense to many exporters because they must appear before a notary public and pay for the service, although we provide free notarial service if they send down to us.

So I believe if we receive the export declarations and are put in a position to require the presentation of the bills of lading to us with the declarations, relieving the steamship companies of the responsibility of handling the export declarations, it would be of great assistance. Do I make that clear?

The procedure is that the exporter appears at the customhouse with the declaration in duplicate, it is scanned by our man to see that the merchandise is described in terms that will permit of the coding—and we code our own declarations at New York—then we send them along to the proper department.

I have tried to get the steamship companies to refuse these shipments unless they were accompanied by the shipper's export declaration, but I have not succeeded at all. I think here we can force them to do it.

You will understand that every exporter makes out his own bills of lading in duplicate, triplicate, or quadruplicate, or whatever number he wants, and brings them down and engages his freight or pays the freight, and if they would refuse to receive the freight unless they have the bills of lading accompanied by the declaration, it would be an assurance to them that the shipper had complied with the customs requirements. In that way we would have no trouble at all and Mr. Tupper would be able to make weekly instead of monthly reports. That is my firm belief.

Senator Clark. Even that would not prevent a man from shipping machine guns and marking them sewing mechines and shipping them to Holland, would it?

Mr. Hamilton. Hardly. There is no requirement in our department, or law or regulation that stops that.

Senator Clark. That would not be accomplished without some punitive legislation on the subject, would it?

Mr. Hamilton. That is a matter we have tried for years. We have written and written, and Mr. Tupper's department has tried to secure like amendments. I am not saying it should be just exactly as I have said, but if these suggestions were favorably considered, I am sure, insofar as our end of it is concerned it would be of great benefit.

Senator Clark. I am favorably impressed with your suggestions on this, but the point this committee is getting at is the question of the exportation of arms and munitions, and it does not seem to me that those suggestions of yours reach the fundamental conditions we are talking about.

Mr. HAMILTON. No; unless you do that on a certain percentage of the packages examined. We can do that on imports, because of the different situation involved, but this is purely statistics.

Senator CLARK. It could readily be done if the law provided for it, could it not?

Mr. HAMILTON. It could be readily done. It would involve an increased force, and so forth.

Mr. RAUSHENBUSH. If you were going to examine every outgoing package, it would mean the use of an entire army, would it not?

Mr. HAMILTON. Yes; we would need several regiments in New York. I understand in these times of subnormalcy we pass from 3,000 to 6,000 of those declarations a day, so that we are kept busy in checking them and seeing that the merchandise is described correctly. There have been instances of misdescription come to our attention.

Senator CLARK. What I have in mind, Mr. Hamilton, is that at the present time the Government is practically helpless, is it not?

Mr. HAMILTON. Absolutely.

Senator CLARK. And by misbranding the goods, in violation of the law in the case of an embargo, that can be accomplished and there is nothing to do about it.

Mr. HAMILTON. Nothing to prevent them, unless the activities of the steamship companies do it, and, of course, they are looking to get the proper freight rate.

Senator CLARK. I understand, but, so far as the Government is concerned, they are absolutely helpless in the matter at the present time, are they not?

Mr. HAMILTON. There is nothing which can ordinarily be done. In war times, we occasionally, when we had information of anything, we always verified a shipment, but even then it is quite a serious thing because usually we have not the facilities for doing the cooperage, and so forth, and there might be damage to the goods.

The CHAIRMAN. Mr. Hamilton, if there are evasions of the spirit of the embargo, then the figures of the Department of Commerce would not, of course, be evidence of all exports, would they?

Mr. HAMILTON. No; these figures, speaking for New York, are just simply the figures on the documents which we handle. We collect and gather these statistics and we attempt to verify them. That is, we verify every item of lading, ten cases of whatever it is, and we see that we have the export declaration for it, and we send it along.

The reason I am stressing that point is that we experienced considerable difficulty in getting prompt compliance with the law on the part of shippers.

The CHAIRMAN. So far as the shippers can comply.

Mr. HAMILTON. Yes. This suggestion which I make for consideration is that if the steamship companies were required by statute not to receive it unless it [illegible] why, we would have correct statistics, or we would, rather, have a pretty near 100 percent compliance on what they are trying to get at.

The CHAIRMAN. An airplane part might be shipped as a piece of machinery, might it not?

Mr. HAMILTON. Yes, sir; parts of airplanes, and so forth.

The CHAIRMAN. Or anything else.

Mr. HAMILTON. They could send an airplane knocked down and describe it as parts.

The CHAIRMAN. Speaking of the engine alone, there has been developed in this country a large export trade of airplane engines. If they were listed and shown as machines, the Commerce Department could not know that they were airplane engines, could it?

Mr. HAMILTON. No, sir.

In this suggestion I am simply applying the rule that we put in controlled commodities, such as a shipment of narcotics, or anything of the kind, any of the commodities which are subject to embargo. In that case we will require a permit from the State Department and we will require a permit from the Commissioner of Narcotics, with respect to the narcotic contents. So that, applying that principle to the great body of exports, we would be able to control it.

I have a little note here which provides for it, if I may read it:

> No person shall offer to any carrier for transportation, nor shall any carrier receive for export out of the United States, any commodity until the shipper's export declaration shall have been filed with the collector of customs,

and then providing a penalty for failure to apply for it as to the proper concern. The penalty should be——

The CHAIRMAN. The shipper and the ship.

Mr. HAMILTON. Right now there is a $500 penalty on the ship and nothing on the shipper.

The CHAIRMAN. Nothing on the shipper.

Mr. HAMILTON. Nothing on the shipper, except the failure to file an export declaration. They never fail to file an export declaration, but sometimes they are several weeks late.

Senator CLARK. There is no penalty on filing a "phony" declaration, is there?

Mr. HAMILTON. Yes; the penalty for false oath, if you want to prosecute for perjury.

Mr. RAUSHENBUSH. The stuff is out on the high seas by the time you find out about that kind of a case, is it not?

Mr. HAMILTON. I know of instances where the stuff was actually delivered in the foreign countries before the declaration was filed with us.

Mr. RAUSHENBUSH. Would you not have a difficult time trying to get them for perjury when the stuff is delivered?

Mr. HAMILTON. You will have when you try to enforce it, because some little boy from the office was sent down to swear to something about which he knew nothing, or about which he had only general knowledge.

All of which shows the necessity for these articles. I hope I make it plain. It is rather a difficult proposition.

The CHAIRMAN. Of course it is, but your experience has been such that I am sure this committee can profit very largely by the recommendations which you would see yourself clear to making, as having a tendency to correct the evils which exist now.

Mr. Hamilton. I doubt very much if there would be much resistance to this.

The Chairman. I do not see why there should be.

Mr. Hamilton. Because, in justice to the steamship companies, I want to testify right now that they have always complied with our every request. They try to meet the requirements. Practically all of them, for instance, are subscribers to the different letter services in Washington, and they have information regarding their own business which we have not the slightest knowledge of. We will get it in the papers, and anywhere from 2 days to a week afterwards, it will come through officially.

The Chairman. Now, here is an example that has brought us into the matter so that we want to get your reaction:

The total exportation of airplane engines to Germany this year, shown by the statistics of the Commerce Department, is 179. That is, in itself, a decided increase over last year's exportations, as shown by the same Department's figures. But one lone exporter of airplane engines reported to us this week in testimony here shipments, I think, up to August 31, of 160 some. Is that your recollection, Senator Clark?

Senator Clark. I think so.

The Chairman. So that it may easily be that many, many airplane engines have gone to Germany and have been labeled machinery or whatnot, and the Commerce Department is unable to know what the truth really is.

Mr. Hamilton. They do not know, and there is no way for them to know under existing conditions.

The Chairman. It has been matters of that kind, in addition to such testimony which we have had upon the general matter, as to the effectiveness or ineffectiveness of the arms embargo prevailing at the present time, that have occasioned our desire to question you upon that general score. You have been so very fine, Mr. Hamilton, that the Chair wants to suggest that if you can give any further information on any of the phases of this matter or any suggestions that might lead us in the direction of remedying this situation, we certainly would like to hear from you.

Mr. Hamilton. We have gone so far as to report exports to contiguous countries, for instance. We have passed it along while the thing would be "hot." We would pass the information along if it came to our attention.

We have always tried to anticipate the desires of those higher up.

The Chairman. Mr. Tupper, you have listened to these experiences and needs for correction. Does it come to your Department's attention that there is a need for change or for tightening up of the regulations covering shipments, if your Department is to act in an accurate way with respect to exportations?

Mr. Tupper. Yes, sir. I am very much dissatisfied with the way that our export declarations are coming in, both with respect to the promptness with which the exporter files the declaration and with respect to the care which is exercised in filling it out. My understanding is that they give this statistical work on export declarations to a man when he cannot do anything else. They figure he can do that if he cannot do anything else. So that we get very unsatisfactory records.

The CHAIRMAN. Mr. Tupper, as a result of the information which you gave the committee, the committee has compiled a statement showing the exportations of various commodities to the several different countries which were mentioned, for 1929, 1931, 1932, and 1933, which is followed in each case by a showing of the percentage of increase or decrease in that line over 1929, based on quantity not alone, but upon quantity and value.

Mr. TUPPER. Yes, sir.

The CHAIRMAN. I am suggesting that this compilation be incorporated in the record, and I would appreciate it greatly if you would take the proof sheets of this, when they are available, and make such corrections as the official figures of your Department call for.

(The compilation referred to appears in text on p. 2037.)

Mr. TUPPER. I should be very glad to do that.

The CHAIRMAN. There were one or two figures where you corrected those quoted.

Mr. TUPPER. I should be very glad to make the corrections.

Senator CLARK. Mr. Hamilton, the net result of all this situation is that nobody has to pay any attention to embargoes unless they want to, is it not?

Mr. HAMILTON. I would not say that. I find that the great majority of people try to do the right thing.

Senator CLARK. I am not speaking of that, but if a man deliberately wants to export that kind of thing, it is almost impossible for the Government to prevent it, is it not?

Mr. HAMILTON. Correct. It is quite a difficult thing under existing conditions for an absolute verification by the Government.

Senator CLARK. I am not blaming the personnel of the Treasury Department at all.

Mr. HAMILTON. I understand.

The CHAIRMAN. Gentlemen, unless you have more to offer, we are ready to excuse you. We do want to thank you very, very much for what you have done for us this afternoon.

Mr. HAMILTON. Thank you.

The CHAIRMAN. The committee being about to adjourn these hearings, the Chair desires to announce the plan of the committee to resume its work some time late in November or after the 1st of December. Knowing what remains to be done and developed through hearings, the committee feels that it has thus far only scratched the surface in its work under the Senate resolution calling for this investigation.

The committee means to go as deeply into the entire subject as its means and its ability will permit, revealing without reserve all pertinent facts which it shall encounter.

These last three weeks of investigation and hearings have afforded something of a résumé of the munitions industry in general. The facts uncovered here have had the tendency to paint a rather sordid picture of the industry and many who have had contact with it. Some instances have been encountered which find the traffic in arms and ammunition weaving its way through governments and official public positions both at home and abroad. Much testimony and much evidence taken into the record reflects upon governments and their officials. Some of this reflection is clearly deserved. On the other hand, there are many cases in which the munitions industry, through its officials and agents, has slurred and placed the stamp of corruption upon governments and public officials.

Some, indeed too much, corruption has been so far proven, but the committee hopes that there will not be conclusions drawn to the effect that all governments and officials apparently compromised by the files and records of the munitions industry and their agents are therefore guilty of corruption or of wrongdoing.

The committee, in conclusion, desires to express its very keen appreciation of the cooperation that has been shown it during these three weeks of hearings, and during the period of adjournment, about to be taken, a subcommittee of one has been named and authorized to function, if emergency calls for such functioning.

The committee therefore stands adjourned until further call of the Chair.

(Whereupon the hearing was adjourned until further call of the Chair.)

Exports of munitions from United States

[Source: Foreign Commerce and Navigation of United States]

	1929		1931		1932		1933		Percent of increase or decrease over 1929 (based on quantities)		
	Amount	Value	Amount	Value	Amount	Value	Amount	Value	1931	1932	1933
3004. Cotton linters:	*Pp. 64, 65*		*Pp. 63, 64*		*Pp. 62, 63*		*P. 53*		*Percent*	*Percent*	*Percent*
Germany ..... bales	81,083		45,368		45,756		63,240		−44	−43	−22
Germany ..... pounds	49,072,790	$3,140,317	27,631,106	$831,821	28,219,020	$556,686	39,679,167	$1,018,650	−44	−43	−19
Japan ..... bales	3		4,938		14,871		10,644		+164,500	+495,500	+354,700
Japan ..... pounds	1,110	130	3,084,336	102,986	9,290,369	266,568	6,849,805	211,651	+277,500	+830,000	+617,000
3005. Cottonseed fiber:					*1932, pp. 62, 63*		*P. 53*				
No class in 1929 or 1931.											
Germany ..... bales					295		4,056				
Germany ..... pounds					172,625	844	2,622,158	49,111			
6505. Bar lead (domestic ore) (pounds):	*P. 135*										
Germany	8,794,239	427,745									
Colombia	100,863	7,310									
Peru	58,975	2,803									
China	224,223	10,651									
6506. Bar lead (foreign ore) (pounds):			*Pp. 136, 137*		*Pp. 131, 132*		*Pp. 121, 122*				
Germany	10,024,729	486,130	104,468	2,385	2,688,931	79,325	9,100	400	−99	−86	−99
Colombia	36,525	2,619	11,311	696	4,177	161	175,412	5,927	−92	−98	+28
Paraguay			57,991	2,233			112,014	1,765			
Peru	117,309	5,890	36,049	775	36,089	713	1,006	38	−80	−80	−99
China and Hong Kong	1,401,888	67,788	1,400,620	33,629			913,870	16,856	+14		−44
Japan	32,608,618	1,583,725	34,601,681	973,368	40,438,970	826,456	42,472,198	758,141	+6	+24	+30
7941. Airplanes:	*Pp. 174, 175*		*Pp. 177, 178*		*Pp. 172, 173*		*Pp. 160, 161*				
Germany			1	1,600	3	55,000	1	4,000	+300	+800	+2,906
Colombia	1	60,000	4	59,700	9	191,500	30	656,593	+43	−27	+300
China and Hong Kong	30	583,466	43	686,770	22	277,903	120	1,931,088			
Bolivia					15	344,501	7	133,000		+29	+129
Peru	7	115,652			9	176,816	16	188,475		−94	−65
Japan	17	291,767			1	20,400	6	61,350			
7942. Airplane engines:											
Germany	50	328,971	7	10,563	23	96,193	48	200,446	−86	−54	−4
Colombia	3	20,021	3	14,805	12	64,855	20	94,139		+300	+567
Peru	7	43,242	2	10,500	10	34,155	3	14,198	−71	+43	−57
China and Hong Kong	9	39,000	44	135,520	9	21,785	15	73,084	+389		+67
Japan	24	75,098	7	35,161			2	1,800	−71		−92
Bolivia					4	10,900	9	57,688			

Exports of munitions from United States—Continued

[Source: Foreign Commerce and Navigation of United States]

	1929		1931		1932		1933		Percent of increase or decrease over 1929 (based on quantities)		
	Amount	Value	Amount	Value	Amount	Value	Amount	Value	1931	1932	1933
8325. Nitrocellulose (pounds)	*P. 186*		*P. 190*		*P. 185*		*P. 172*				
Germany	24,130	$7,116	149,663	$33,700	30,504	$5,662	21,204	$4,916	+520	+26	−12
Colombia	6,915	2,109	3,751	1,002	8,004	1,595	9,617	2,035	−45	+16	+39
Peru	48	18	563	186	-----	-----	25	7	+1,073	-----	−48
China and Hong Kong	3,608	1,437	3,924	1,515	3,366	1,201	11,354	3,858	+9	−7	+215
Japan	23,387	7,423	12,740	4,014	5,292	2,160	387	460	−45	−77	−98
6008. Scrap iron and steel (tons)	*Pp. 114, 115*		*P. 114*		*Pp. 110, 111*		*Pp. 100, 101*				
Germany	20,304	234,664	2	354	134	8,390	14,111	162,099	−99	−96	−30
Peru	17	324	-----	-----	46	299	146	1,308	-----	+170	+759
China and Hong Kong	8,814	299,412	8,006	323,281	5,071	129,134	8,621	269,419	−1	−42	−22
Japan	208,260	3,089,698	48,036	842,977	164,001	1,325,464	547,539	4,738,917	−77	−21	+163
8505. Ammonium sulphate (tons):	*P. 194*		*P. 197*		*P. 191*		*Pp. 177, 178*				
China and Hong Kong	3,547	164,092	3,125	91,846	3,524	82,399	333	8,242	−12	−0	−91
Japan	60,025	2,523,349	4,983	135,050	1,000	17,920	-----	-----	−92	−98	-----
Peru	43	8,505	-----	-----	56	1,232	275	7,224	-----	+30	+540
8509. Sodium nitrate (tons):											
Germany	4,992	329,925	94	3,071	496	11,687	2,418	66,981	−98	−90	−51
Colombia	1	31	3	113	37	1,276	61	1,567	+200	+3,600	+6,000
Japan	3,189	185,832	2,000	52,354	14,617	341,185	13,320	260,160	−37	−359	+318
China and Hong Kong	9	516	-----	-----	-----	-----	1,202	27,440	-----	-----	+13,256
8601. Smokeless powder (pounds):	*Pp. 194, 195*		*P. 198*		*P. 192*		*P. 179*				
Colombia	4,797	1,666	4,885	1,996	3,901	1,445	1,933	1,074	+2	−19	−60
China and Hong Kong	83,825	85,946	131,635	110,520	33,153	30,825	-----	-----	+61	−60	-----
Bolivia	-----	-----	-----	-----	-----	-----	625	316	-----	-----	-----
Peru	450	509	-----	-----	-----	-----	436	483	-----	-----	−3
Argentina	369,153	371,567	-----	-----	2,200	1,302	1,100	387	-----	−99	−99
Chile	-----	-----	882	800	-----	-----	288	202	-----	-----	-----
8602. Other gun powder (pounds):	*Pp. 194, 195*		*P. 198*		*P. 192*						
Bolivia	2,200	955	2,643	871	375	178	(1)	(1)	+20	−83	-----
Colombia	93,183	28,645	105,024	21,405	64,647	18,604	(1)	(1)	+13	−31	-----
8604. Dynamite (pounds):	*Pp. 194, 195*		*P. 198*		*P. 193*		*P. 179*				
Bolivia	160,000	22,580	-----	-----	-----	-----	232,500	33,002	-----	-----	+45
Colombia	945,000	159,225	12,500	3,261	52,500	12,145	269,500	45,985	−99	−94	−71
Peru	3,693,962	467,859	1,760,000	223,890	1,055,000	124,460	1,240,000	147,644	−53	−71	−66
8609. Other explosives (pounds):	*P. 195*										
China and Hong Kong	-----	-----	110,230	34,750	-----	-----	141,268	74,240	-----	-----	-----
Peru	593	320	-----	-----	8,704	8,000	12,500	1,045	-----	+1,368	+2,008
Bolivia	30,000	3,450	-----	-----	-----	-----	67,378	40,125	-----	-----	+125
Colombia	800	388	-----	-----	-----	-----	98,565	20,035	-----	-----	+12,222

9470 and 9471. Revolvers and pistols (each)	*P. 205*		*P. 209*		*Pp. 203, 204*		*Pp. 189, 190*				
Germany	245	3,384	312	4,062	81	1,528	52	1,035	+27	−67	−37
China and Hong Kong	1,188	21,747	682	10,484	2,024	38,400	1,209	23,622	−43	+70	+2
Japan	2,024	27,079	198	1,875			35	387	−90		−40
Peru	75	1,785	32	728	81	1,038	53	880	−57	+8	−29
Bolivia	84	1,523	18	349	4	66	14	541	−79	−95	−83
Colombia	186	3,739	43	813	42	1,394	12	224	−77	−77	−94
9472. Rifles (each):	*P. 206*		*P. 209*		*Pp. 203, 204*		*Pp. 189, 190*				
Germany	109	4,151	235	4,532	34	909	102	2,767	+115	−69	−6
Bolivia	206	3,198	91	1,452					−56		
Colombia	702	5,160	135	1,471			5	94	−81		−99
Peru	62	771	15	177	25	231	29	501	−76	−60	−53
China and Hong Kong	88	2,776	59	1,963	117	3,502	80	1,821	−33	+33	−9
Japan	115	3,043	25	776					−78		
9476. Machine guns, etc.:	*P. 206*		*P. 210*		*P. 205*		*Pp. 189, 190*				
Peru					1	1,700	8	6,000			
China and Hong Kong			50	22,508	2	500	51	20,889		−75	
Germany	4	7,150			1	200					
Colombia					5	3,000	6	3,344			
Japan					1	1,677					
Paraguay	32	23,978					50	36,400			−56
Bolivia							1	357			
9490. Shot shells (pounds): [3]											
Germany	1,604	389	5,000	117	6,000	170	3,000	56	−70	−56	−86
Bolivia	5,168	1,839	31,000	619	5,000	88	23,000	426	−66	−95	−77
Colombia	116,279	31,885	809,000	17,642	131,000	2,646	222,000	4,501	−45	−92	−86
Peru	11,650	3,416	129,000	3,192	26,000	601	72,000	1,647	−7	−82	−52
China and Hong Kong	21,895	5,170	174,000	4,232	123,000	3,030	231,000	5,271	−18	−41	+2
Japan	24,024	6,241	309,000	7,842	95,000	2,255	255,000	4,100	+26	−64	−34
9491. Metallic cartridges (pounds): [3]											
Germany	5,763	3,686	265,000	2,426	171,000	2,093	228,000	2,947	−34	−43	−20
Bolivia	15,420	6,539	320,000	3,549	2,570,000	57,170	4,655,000	67,123	−46	+774	+926
Colombia	23,349	9,660	1,456,000	8,818	2,164,000	51,551	829,000	8,100	−9	+434	−16
Paraguay	56,648	31,247	543,000	8,267	1,000	16			−74	−100	
Peru	21,059	10,909	1,021,000	5,810	45,000	768	69,000	1,537	−47	−93	−86
China and Hong Kong	20,540	13,088	1,528,000	30,590	1,258,000	15,651	1,421,000	18,057	+134	+20	+38
Japan	6,732	3,145	32,000	399	24,000	1,599			−87	−49	
9492. Explosive ammunition (pounds):											
Colombia	1,396	388			13,808	11,302	142,333	92,875		+2,813	+23,840
China and Hong Kong							28,050	[2] 15,274			
9499. Other munitions (pounds):											
Germany		2,643		368		374		82	−86	−86	−97
Bolivia		1,821		302		56,183		5,977	−83	+2,985	+228
Colombia		7,219		9,992		21,285		12,909	+38	+195	+79
China and Hong Kong		380		6,052		5,818		814	+1,492	+1,431	+114
Peru		1,771		1,339		1,031		4,819	−24	−42	+172
Japan		2,597		179		68		2,460	−93	−97	−5

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[1] Not separately shown.
[2] Hong Kong only.
[3] Pounds in 1929: other years Number. Percent increase or decrease on values.

Exports of scrap iron and steel (gross tons)

Year	Page	Total exports	Exports to Japan	Percent to Japan
1929	114	557, 044	208, 260	37. 4
1930	115	358, 649	168, 186	46. 9
1931	114	136, 125	48, 036	35. 3
1932	110	227, 522	164, 001	72. 1
1933	100	773, 406	547, 539	70. 8
1934 (Jan. 1-July 31)	----------	894, 660	508, 885	56. 9

APPENDIX

EXHIBIT No. 756

EXPORT CONSOLIDATED COMPANIES,
21 WEST STREET,
New York, Feb. 24th, 1933.

LAKE ERIE CHEMICAL CO.,
5608 Hough Ave., Cleveland, Ohio.

DEAR COL. GOSS: I was unsuccessful in contacting Comm. Strong here, and delayed my advice to you until the last minute.

I talked to the consul and it seems that he was sore because information had been getting around, about purchases by Colombia and I added insult to the injury of the other fellows by telling him that the last shipment was made up with old TNT. He started to talk about near gun fights that he had etc., etc., because the supplier's were loose tongued and did not exercise caution as to secrecy. From the last experience in getting the business (which we did not get) I tried the system of scaring him into it and the reaction was very favorable. He duly cautioned me not to let my stenographer find this out because she is a friend of the stenographer in the Peruvian consulate, and I told him that I mailed his inquiry directly to you and have no copy in the files. He was emphatic in stating that he would refuse the order if the news leaked out. You had, therefore, better identify this order as "Siam", in your operations as well as in loading them, etc., until they are finally on the boat, and paid for, even after they are shipped don't mention Colombia as they might have another order some day. I will take out my own telegrams and write my own letters about this in order that there is no slip-up from this office.

Olano says that he thought he was asking for Army specifications when he wrote the letter, and says that he will hold to Army specs. He wants tail fuzes on the 300- and 600-pound bombs.

If we could prove my statement that the last order for bombs was filled with old TNT, in writing, I will guarantee you this order in hand. Could an affidavit or letter be obtained from some witness in a reasonable time? If so, this will cinch the order, but as Comm. Strong probably was their inspector that received the shipment it might be a boomerang and Strong might find a pretext to turn down our shipment (if we get it). Altho Olano told me that he had asked others for quotations, I am rather inclined to believe that he did not ask Federal to quote, because this was one of his stipulations to Young last September and Jonas told every dog and his brother, gloating about "the big order from Colombia."

As soon as I have your quotation, I will advise you of how it stands.

Yours cordially,

F. V. HUBER.

EXHIBIT No. 757

B. C. GOSS, president.
Cable address, "Lakechem, Cleveland."
THE LAKE ERIE CHEMICAL COMPANY,
5806 HOUGH AVE.,
Cleveland, Ohio, March 26th, 1934.

MR. W. D. PAWLEY,
Intercontinent Aviation, Hamilton House, Shanghai, China.

DEAR MR. PAWLEY: I have your letter of March 5th enclosing copy of letter from Mr. C. F. Wang, engineering officer, Central Aviation School, Hangchow.

I greatly regret that this has occurred, but believe you know the reason for it, as you remember these samples were shipped to you at the boat as you intended taking them with you in a trunk, and for this reason they were not packed in soldered tin cases as are all of our export shipments. Then when the steamship company would not let you take them this way and you requested your New York office to get a State Department permit for shipping them to you in Shanghai, we were directed to reship these cases to Sperry Gyroscope Company, San Francisco, California, and thus finally got on the boat without anyone remembering that they had originally been shipped to go in your trunk and therefore not enclosed in tin.

What I would suggest is that all of these cases be opened and the contents placed in a dry location for several days so that the surface dampness is eliminated. Then try out one of each to see whether they have deteriorated. If not, I think I would go ahead and give your demonstration anyway, explaining in advance how the error in packing occurred, and that all of these things have been wet, and asking them to base their observations on the ones which do function.

The item which is most likely to be spoiled by water is the smoke candle fuzes, which are not protected as well as the MI fuzes for the gas candle. After drying these fuzes for several days, I would try one of them without putting it in the candle, and if the match composition on the end of the time fuze ignited with a long, hot flame I would then put a second one in a smoke candle and try the whole thing together.

If you can get in touch with Major Spring you may be able to arrange with him to inspect this material for you and also to help you in giving the demonstration.

We are sending you an extra copy of this letter in case you might want to forward one to Mr. C. F. Wang in explanation of this unfortunate incident.

Very truly yours,

THE LAKE ERIE CHEMICAL COMPANY,
B. C. GOSS, *President.*

bdg–bls.

EXHIBIT NO. 758

NUMBER III—ARTICLES MANUFACTURED BY ABOVE

To be obtained from catalog, if any, together with the Hyde gun, the manufacture of which is actually, although not nominally controlled by Lake Erie, since Hyde manufactures only at their order and never has a surplus on hand

EXHIBITS

Agreements with Hyde—5/4—5/21—5/29.

Letter from Frank Jonas to Ryan (Auto-Ordnance File—6/15/34 & Huber's letter, 4/6/34).

Questions—Procure a statement from Goss or Huber that Hyde gets his firing mechanisms from Griffin & Howe, and his gun barrels from Winchester, and that the gun is so made that all types of Thompson magazines fit it exactly. The statement about Winchester is of value, because it is a very costly job to "tool up" for a .45 cal. machine-gun barrel, since rifle barrels are not that caliber, and Winchester would hardly make them if the sale was only in an occasional lot of 30 or 40. The supposition is that Winchester is making them in large quantities for someone else.

The statement about the Thompson magazine is obvious, for two reasons—either Goss & Hyde didn't want the expense of manufacturing their own magazines or else Frank Jonas' letter to Ryan is true—that in demonstrating the gun a Thompson magazine is used, and is the only part of the gun on which a manufacturer's name is shown. Thus, it is easy to sell the gun as the latest model Thompson.

MAY 4, 1934.

MR. GEORGE J. HYDE and/or THE HYDE ARMS CO.,
952 Adelphi Street, Brooklyn, N.Y.

DEAR SIR: The Lake Erie Chemical Co., of Cleveland, Ohio, agrees to employ you for a period of six months, at a salary of $300.00 per month, to manufacture machine guns and do such other work as we may direct at our plant in Cleveland. We also agree to purchase from you at cost and to transport to Cleveland such barrels and other parts as you may have on hand and which are applicable to your latest model gun, and also to transport to Cleveland your milling machine, which we will also later purchase from you at cost less reasonable depreciation if you so desire. The $200.00 recently advanced to you shall be applied toward the purchase price of the above-mentioned barrels and parts which you now have.

We further agree to apply for and prosecute patent applications covering your machine gun, magazines, etc., and to advance all costs of same, including drawings, etc., against royalties. You agree that resulting patents will be assigned to the Lake Erie Chemical Company, who will pay you or the Hyde Arms Company a royalty of (5%) five percent of the gross net sales of my gun and other inventions. By gross net sales is meant the total net amount which the company receives after sales commissions have been paid.

You agree to vote your stock in the Hyde Arms Company in support of the above agreement, of which you own a total of 165 out of 250 authorized, of which 195 is outstanding. In case any of the above transactions are functions of the Hyde Arms Company rather than yours as an individual, you agree to cause such action to be taken by the Hyde Arms Company.

Receipt of one dollar and other valuable consideration is acknowledged by you in consideration of this agreement.

THE LAKE ERIE CHEMICAL COMPANY,
By B. C. GOSS, *President.*

As soon as we know where we stand on getting a patent, etc., we will arrange some way of taking care of Mr. Griffin's claim, probably by making you an advance against royalties sufficient to take care of him and also the other two men.

Accepted:

GEORGE J. HYDE,
THE HYDE ARMS COMPANY,
By GEORGE J. HYDE, *Pres.*

Witnessed:
EMILY ALFRED.

EXHIBIT NO. 759

EXPORT CONSOLIDATED COMPANIES,
New York, July 6, 1934.

U.S. ORDNANCE ENGINEERS, INC.,
Cleveland, Ohio.

GENTLEMEN: I find that last Friday or Saturday a regulation was put into effect that an export license was required from the State Department for shipping of arms or ammunition to Cuba and today have made application for 61 guns and 300 magazines in the event that we are able to obtain the Thompson magazines. The Custom House in New York advise us that permits are now required for China, Honduras, Nicaragua, and Cuba. We inquired as to Bolivia and Paraguay but the Custom House states there is no permit required, which shows that they are not well informed. We still have four weeks in which to deliver the 300 magazines if they are obtainable and I have another order from Panama calling for 24, which I would like to supply as an accommodation. Hyde finished this morning 63 guns and the whole Griffin & Howe organization have been working day and night to complete this production on time.

I am sending to Cuba 5 double 20- or 40-shot magazines gratis for their approval and as soon as the guns are shipped and in the event that Richardson does not arrive in Cuba in time I will write them a letter explaining the disadvantages of the 50-shot round magazine. I have not heard from Richardson for several days but assume that he is ready to leave Mexico this week and cabled him this morning that I could now send him the machine gun for sample by air express and will await his reply.

Hyde shot everyone of the 63 guns during July 3, 4, and 5 and claims that there was not a bubble in either the single fire or rapid fire, but he only shot two or three single shots and then a burst on rapid fire. He explained to me the reason why the ejector did not function properly when Ailes was over here, which was due to the fact that the ejector spring was too strong and is now corrected.

The 61 guns going to Cuba are numbered from 120 to 180, inclusive. Upon checking up I found two numbers duplicated, 122 and 158 and told Hyde to put an X in front and in back of these numbers for identification purposes. The X–122–X gun will be sent to you with a 20- and 40-shot magazine today or tomorrow, as I told Hyde to make a triple or 60-shot magazine for you and send it along with the gun. He may be able to finish this today. I am reserving the X–158–X gun for Richardson in Mexico.

The X–122–X gun that I picked at random for you should by a typical sample of the lot and I picked gun #147 and shot a few single shots and it burst the rapid fire very satisfactorily, and consider the balance of them equal to this. Following your advice I did not attempt to shoot every gun and you can do some test firing with the sample gun that you are receiving. The serial number was stamped on the chamber, on the bolt, on the trigger guard and one other place so that the parts corresponding to each gun can be identified.

I still believe the Hyde gun is O.K. but that precision in manufacture is necessary so that the magazines and other parts of the gun can be made interchangeable. If there is any trouble with the guns it will be the lack of this precision. Hyde stamped the serial number on the chamber and marked them "Hyde Arms Corp., New York., patent applying for", and as the Export Consolidated Co.'s are making the shipment and receiving the payment I do not think that there will be any major difficulty. I am still working on a combination to obtain 300 magazines without going to Federal or Auto-Ordnance. I am going over to see Mr. Colgrove at the Guaranty Trust as a last resort to ascertain the possibility of getting these magazines from the Ryan estate without letting Federal get wise to it until the merchandise is in our possession and shipped.

Hyde now claims that he will hardly make anything on the manufacture of this first lot of guns because everything cost him more than he anticipated. His money ran out and Griffin & Howe got credit on some things which are not yet paid for. Mr. Griffin and Hyde expected to receive the balance of $1,750 today, as the material was finished today and they want to get the bills paid as soon as possible. If you are agreeable you might send me the check so that I can pay them the balance early next week as I expect to have the export license and make the shipment to Cuba before I can leave New York, but I do want to be at my home, Harrison, Ohio, Saturday, July 14th, but if I cannot make it the time of the trip will be very uncertain.

I just received word from my brother that Frank Jonas was in Honduras trying to break up our order but did not get to first base. My quotations to Honduras were based on the last price that Grundler gave me on May 16th of $20.90 each, including my 5%.

Very truly yours,

F. V. Huber.

Exhibit No. 760

May 21, 1934.

The Lake Erie Chemical Co.,
Cleveland, Ohio.

(Attention Mr. A. S. Ailes.)

Dear Mr. Ailes: I was over to the office of MacDermott and Turner, 165 Broadway, to discuss the matter regarding the gun; and, as Mr. Hyde was present, they suggested certain changes in the set-up in order to have the contract with Mr. Hyde more liberal and at the same time more definite. Mr. Robert Cauldwell, of the above-mentioned firm, discussed this proposition with the notes from Mr. Turner, and they wanted to submit the following:

First. Mr. Hyde wants a longer period of employment specified in the contract or a cash allowance in addition to the royalties to pay off Mr. Griffin, Griffin & Howe, and other monies that he has spent in the development of this gun.

Second. The expenses in obtaining and defending the patent for the account of Lake Erie Chemical Co. and not to be charged against Hyde's royalties.

Third. The machinery referred to in the contract to stay in New York.

Fourth. The sale of the gun in New York City be licensed to Hyde. In discussing this, Mr. Hyde thought it would be all right to work with me as long as I had the control of the sales in New York City, but Mr. Hyde believes that he can sell more of them in New York City than anyone else.

Regarding the first consideration, Mr. Hyde suggested the amount of $5,000. You probably understand that he owes Mr. Griffin and Griffin & Howe in the neighborhood of $1,800.

The above points seem to me can be settled satisfactorily in due course of time, but, on the other hand, do not believe that they can be definitely settled until the colonel returns. Before the colonel sailed his idea was to make an arrangement for six months, which would allow time to ascertain whether or not a patent could be obtained, and I am sure that it was his impression to employ Mr. Hyde permanently in the event that the patents were granted. I remember some explanation to this effect.

Mr. Hyde does not relish moving his family to Cleveland and prefers to go out there for more or less six months in order to assist in the building of the first guns and do any further development work necessary and then return to New York on account of his wife and children, and for this reason does not want to move his equipment to Cleveland and then back again. This, of course, is not consistent with the first condition of his proposition in which he requested a longer period of employment, but I think that you can work out something equitable and satisfactory to both parties.

So much for the above that refers to the contract, and if you are in a position to make some definite proposition Mr. Hyde would like to get finished as quickly as possible but if there is no other alternative we will simply have to wait until the colonel returns.

Mr. Hyde has arrangements made in New York and vicinity to manufacture the first lot of guns which will be in the neighborhood of 80, as he has approximately 80 barrels and feels as though he would lose so much time in getting the same contacts in Cleveland and vicinity that it would be practically impossible to fill the Cuban order in time. He says he is connected with a shop in Jersey who can do the major part of the gun work and all that Mr. Hyde will have to do is to fit up the gun, assemble them, and test them. He is willing to do this at a price of $75 per gun, which would include one 20-shot magazine, we to pay his bills of materials and pay roll of the employees in the shop that will be working exclusively on our guns. Mr. Hyde will put in the pay roll $40 or $50 a week for himself. The men on the pay roll will get a salary of about 75¢ an hour and will put in as many hours as they can, including Saturdays and Sundays, in order to make sure that the guns will be delivered by the first week in July.

Mr. Hyde is going to Jersey again today to ascertain the possibility of making 300-round magazines in Jersey and as soon as he has a price on the cost of these he will advise me, but if these negotiations do not materialize successfully Mr. Hyde will send you the magazine to Cleveland so that you may ascertain the cost and delivery. Mr. Hyde says there will be quite a number of dies necessary for making the 50-shot magazine and the dies will remain your property.

Mr. Hyde and Mr. Cauldwell agreed that an agreement could be made covering the manufacture of this first lot of guns in New York without affecting the contract between the colonel and Mr. Hyde by stipulating and specifying the exceptions that would not be in accord with the contract already in force. For example, Mr. Hyde's salary to start when he arrives in Cleveland to help you manufacture the guns, not taking his milling machine to Cleveland, a definite date fixed when he should go to Cleveland, and such other exceptions that you may find in the original agreement.

If you are in accord with Hyde's manufacturing these guns here, he will send you a gun by the end of this week with or without a round magazine and you can put your own draftsman to work on drawing up the prints of component parts necessary for patent application. I understand that you already have drawn up the gun in general. I think you should review the correspondence during March and April between the colonel and Mr. Hyde, because at that time the colonel stated that money spent for patents would be considered as an advance against the royalties, which is one point that Hyde objects to at present. As I do not have this correspondence nor the contract I cannot assist on this point, but it seems to me that the colonel's contract of May 4th in many ways nullifies previous understandings. Furthermore, I do not conceive the object of the colonel accepting the option on Stimmler and Dietrich shares unless he intended to purchase them, and if Hyde were expected to pay for these options he would not have anything from the royalties until about 400 guns were sold, but this is up to you to define or settle when the colonel returns. In short, Mr. Hyde expects to be reimbursed for his expenditures and also clear up his obligations besides his royalties.

Upon receipt of this letter you may see your attorney and have him draw the agreement covering the manufacture of this first lot of guns in New York with the necessary exceptions to the contract of May 4th without altering same.

Very truly yours,

F. V. Huber.

FVH: RL.

Exhibit No. 761

May 17, 1934.

The Lake Erie Chemical Co.,
Cleveland, Ohio.

(Attention Mr. A. S. Ailes.)

"Not to be repeated and strictly confidential."

Dear Mr. Ailes: Following my letter of yesterday to Inspector Dittman, I called on him this afternoon to ascertain the exact status of the grenades that we supplied. In previous contacts with the inspector he always assumed a rough-shod conversation but today he was very cordial, open, and politely very frank and for this reason I am taking the matter very seriously in order to put up the picture to you. I do not have a copy of Colonel Goss' letter to Inspector Dittman dated April 17th, but the Colonel referred to this letter in a pencil note on his letter of April 28th.

The inspector refused the shipment of grenades, reporting to the purchasing department that this is not what he ordered and is instructing the quartermaster to return them to you. I asked him how they were going to dispose of this order and he said they would give it to the lowest bidder on a content of 90 grams of CN and so far De Bobula is the lowest bidder of $6 less 10%, but he supposes that if Federal or ourselves would underbid De Bobula we could have the business. I told him that this is quite improbable and he is determined to get grenades of 90 grams CN content at as cheap a price as possible and I see no way of getting around this excepting that you might arrange with Federal to underquote De Bobula.

The inspector then repeated the disagreeable transactions and connections that he has had with Lake Erie and while he will not go out of his way to do us any harm he will tell anyone who asked him their opinion of Lake Erie Chemical Co., the history of his disagreeable transactions, which he explains to be very unbusinesslike.

While I was sitting there he received your letter of yesterday explaining the affair of the National Equipment Corp. of Kansas City, which he said was another black eye, and a poor explanation of the facts. His idea of satisfaction was that you should fire the National Equipment Corp. as agents and also make them retract every circular that they send out regarding the machine-gun statements. He also stated their opinion was that the machine gun was not yet ready for the market and he would so answer any inquiry that came to him regarding it. He recently was asked what submachine gun the police department used and naturally replied Thompson was the only one that they had but there were other ones in experiment but not yet fully developed.

As the inspector owes me a dinner he offered to bet me a dinner in order to cancel it, that no patent suit would stop De Bobula from supplying tear-gas grenades. Upon his insistence I accepted the challenge. He then pointed to your photostatic letter of February 13, 1933 to the Federal Laboratories by Kwis, Hudson & Kent with the remark that he has been in the special investigating service for many years and now learned that these lawyers were also lawyers for Federal Laboratories and after a lengthy conference between yourselves and Federal the lawyers told both of you that there were no patents at all that would hold water and that De Bobula could and would go ahead with manufacture regardless of patent suits. He predicted that either or both Federal and ourselves could only stop De Bobula by buying him out.

The inspector evidently has the backing of the commissioner and the mayor on the stand of obtaining tear gas at lower prices and you may be sure that no one can budge him from this position nor can anyone convince him of the good faith of the Lake Erie Chemical Co. I knew this situation was serious but the Colonel passed it off as an unimportant matter and felt confident that he still retained the confidence of the inspector, which is a mistake. The inspector also volunteered to state that even if he had instructions to buy a certain brand of tear gas he would vigorously defend the interests of his department and insist upon certain specifications at the lowest price. He stated that he had seen no less than 300 De Bobula's grenades thrown and he would not entertain any argument of inferior quality and that he has had duds in all brands of tear gas.

Young is usually in town on Thursdays and Fridays and if you want me to I will talk to him about preparing a suit against De Bobula for infringement, and, or, both of us putting in a quotation lower than $5.40 on a 90-gram CN content grenade. It is a matter for both of you to decide whether or not you want De Bobula to get the advertising of the N.Y. Police Dept. or whether you also want to come out with a round grenade. Inspector Dittman's analysis of De Bobula's grenade reveals a CN content of 93 grams.

In conclusion, I want you to fully realize that Inspector Dittman has convinced himself that Lake Erie have not played fair and have used methods varying from veiled threats to misstatement of facts which are incorporated in the Colonel's letter of April 17th and the statements of machine guns as well as the past history of your transactions with them. He also insinuated something regarding your responsibility for having used these methods.

I cannot conceive how we could satisfy his department excepting to give his department some distinct advantage, possibly by putting in 200 candles to be paid for when and if used or to be paid for after a specific period, but even so, I think he would reject the offer if we would not come down in the price to at least meet De Bobula or underquote him.

I cannot realize any wisdom in the Colonel's letter to Inspector Dittman of April 17th which was misleading regarding the CN content, because you offered by telephone yesterday to put 90 grams of CN in a candle at regular prices. I feel sure that the Colonel knew what he was talking about when he told me that it was physically impossible to put 90 grams of CN in a candle and it turns out that Federal are able to put it in their jumbo grenade and that we can do the same. Such misleading information is treacherous and I have given you the above picture very frankly and you should regard it as strictly confidential information and I positively do not want to be quoted on any of it, but you may guide yourselves accordingly.

Yours very truly,

F. V. HUBER

FVH: RL.

EXHIBIT NO. 762

[Excerpt]

SEPTEMBER 13, 1933.

Mr. FERD V. HUBER,
The Lake Erie Chemical Co.,
21 West Street, New York City.

DEAR HUBER: Yesterday we received your cable for a quotation on two thousand (2,000) rifles and are doing everything possible to locate two thousand guns which we believe would be in acceptable condition but cannot tell you anything at the present minute. However, we expect to have full information on these on Friday, and will communicate with you immediately.

In regard to the automatic gun, I would suggest that we wait until your return before taking up the various questions with Mr. Griffin unless you should be successful in placing an order in the meantime, and in which case, of course, we must have a very detailed report on all difficulties which you have encountered in order that these may be eliminated on any future guns. I believe your understanding is correct that Mr. Griffin has one hundred (100) of these barrels, and should be able to make delivery within the time specified in your letter.

Very truly yours,

A. F. SPRING.

AFS: RH

EXHIBIT NO. 763

JANUARY 9TH, 1934.

MR. FERD V. HUBER,
The Lake Erie Chemical Company,
21 West Street, New York, N.Y.

DEAR MR. HUBER: I am advised that the five submachine guns will be ready on Saturday of this week without magazines and we can obtain the magazines here.

Before authorizing you to pick up these five guns and before purchasing the magazines, we must agree on a method of handling this transaction which will be mutually satisfactory to all concerned. Inasmuch as these guns have not been tested and approved by us and I do not know whether we will adopt them or not, I do not want the transaction made through either Lake Erie or U. S. Ordnance Engineers, as it would tend to commit us to a future course of action with Griffin & Howe which we might not want to pursue. I believe the only way to handle this is to authorize them to sell these five guns to Export Consolidated and we will purchase the magazines and sell them to Export Consolidated and you handle the whole thing directly, deducting the packing and shipping cost, etc., and we will split with you fifty-fifty on the profit.

I do not even know as yet just what they are going to charge us for these guns.

In the second place, you should, by all means, find out what the regulations and restrictions are regarding the handling and sale of machine guns to make sure that you do not get yourself in trouble. I believe, if you will 'phone Inspector Dittman, telling him that I asked you to call him, he can tell you the proper person to give you all the information on what you can and cannot do, but, among other things, I think you will have to get a permit from the State Department to ship any arms into Panama.

After you have done this, please call Mr. George Heid at Griffin & Howe on the 'phone and ask him what he will charge us for these five guns without magazines and then write me by return mail how you suggest handling this transaction and whether the above arrangement is satisfactory, after which we will, if agreeable, authorize you to pick up these guns and we will obtain the magazines as quickly as possible.

Very truly yours,

THE LAKE ERIE CHEMICAL COMPANY,
B. C. GOSS, *President.*

bcg–bls.
encl.

EXHIBIT NO. 764

Excerpt

MAY 11TH, 1933.

Colonel B. C. GOSS,
Pres. the Lake Erie Chemical Company, Cleveland, Ohio.

DEAR COLONEL: According to the papers of this morning, it seems as though the League of Nations is going to eliminate South American bomb business. With your permission, I will send a cable to Mayrink Veiga, or you could send it directly, suggesting that they place the bomb order with us immediately and antedating the contract so that we would be in a position to fill the order, because it is altogether possible that any move on the part of the League of Nations would not hinder existing contracts. At least, England followed this procedure when she declared the embargo on China and Japan.

Very truly yours,

F. V. HUBER.

EXHIBIT NO. 765

JULY 13, 1934.

U. S. ORDNANCE ENGINEERS, INC.,
Cleveland, Ohio.

GENTLEMEN: Upon receiving your special delivery I immediately called Fiala Outfits, Inc., and they advised me to order 4 dozen 38 Smith & Wesson special tear-gar cartridges, and I wired you accordingly.

Mr. Johnson of Griffin & Howe, advised that they import the barrels and mechanical parts of the over and under guns, assemble and fit them here, as well as the engraving, and that a good gun would cost about $300 to $350. I told Johnson this gun was for you, and he said he would be glad to give it to you at a minimum profit, but ordinarily they get from $500 to $1,000 for them. He also said that he had a Browning over and under gun for about $100. I would, therefore, suggest that you give Mr. Reavis a letter to Mr. Johnson allowing them to charge your account or that Reavis will pay for it in order that they give him some special consideration.

Yours very truly,

F. V. Huber.

FVH : RL.

P.S.—If you do not want the order for 2,500 one pounders at $3.80, do you have any objection to referring this inquiry to Hercules Powder? Please advise. I hate to lay down on the 4″ mortar proposition, but in turn will concentrate on the 2⅜″ projector. Grapevine rumors report the Federal are making up a new badge for them. If this is true, someone else will get in bad, as I assume that the Colombian consulate ordered the two fuzes from us to check Federal, but we supplied them a sample of the Army standard fuze and not the tail fuze for their bombs. The grapevine also reports that the Bolivian order was increased to $3,000,000 from an original order of $241,000 in order to get around the embargo, as Secretary Hull finally ruled that any contracts made prior to May 28th were not affected by the embargo. I have no idea how phantastic this rumor may me.

Outstanding Stock of the Lake Erie Chemical Co. As of July 31st, 1933

	Shares
Peter Ball, Union Trust Bldg., Cleveland, Ohio	100
Merle J. Brickman, 10465 Carnegie Ave., Cleveland, Ohio	2½
Mrs. R. H. Broughton, Eldred, Penna	1
Mrs. Paul A. Carson, Hileman Apartments, New Castle, Penna	7½
Paul A. Carson, Hileman Apartments, New Castle, Penna	7½
Diebold Safe & Lock Co., Canton, Ohio	100
B. C. Goss, 2936 Torrington Road, Shaker Heights, Ohio	367
Mrs. Dixie Goss, 2936 Torrington Road, Shaker Heights, Ohio	161½
I. D. Goss, 805 Hinman Ave., Evanston, Ill	21
Alice Virginia Goss, Evanston, Ill	3
Virginia Goss Archer, Evanston, Ill	3
David Allen Goss, Evanston, Ill	3
Jessie F. Goss, Evanston, Ill	7½
Jessie F. Goss, Evanston, Ill	2½
Mrs. Mary Kathryn Below, 787 Greenwood Ave., Glencoe, Ill	5
Eugene B. Hanson, Piper & Jaffray & Hopwood, 2300 Rand Tower, Minneapolis, Minn	6
A. S. Ailes, Lake Erie Chemical Co., 5806 Hough Ave., Cleveland, Ohio	7½
Geo. H. Hobart, Jr., 3287 Berkeley Rd., Cleveland Heights, Ohio	10
Mrs. Rose E. Ingersoll, 942 Marine Ave., Wilmington, Calif	21
Bradley M. Patten, 3341 Altamont Rd., Cleveland Heights, Ohio	6
G. W. Pay, Woodstock Road, Gates Mills, Ohio	1
Dr. H. O. Ruh, Knickerbocker Medical Bldg., Cleveland, Ohio	21
A. F. Spring, 1912 Parkway Drive, Cleveland Heights, Ohio	101
I. M. Wile, Rochester, Indiana	21
Robert Wood, 7643 Greenview Ave., Chicago, Ill	3
Anna Wood, 7643 Greenview Ave., Chicago, Ill	3
Dr. Wilbur W. York, 10465 Carnegie Ave., Cleveland, Ohio	7
Total	999½

Exhibit No. 766

This agreement made this fifteenth day of September 1932, in the Borough of Manhattan, city of New York, between the National Government of the Republic of China (hereafter called the Chinese Government), through its accredited representative Mr. C. L. Wu (hereafter called Wu), of the first part, and the

Lake Erie Chemical Company of Cleveland, Ohio, a company organized under the laws of the State of Ohio and having its principal place of business at 5806 Hough Avenue, Cleveland, Ohio (hereafter called the Chemical Company), through its representative, Colonel B. C. Goss (hereafter called Goss), of the second part.

Whereas the Chinese Government desires to build and candle-filling plants and wishes to engage the services of the Chemical Company, as a chemical engineering firm, for preparing complete plans, specifications of machinery and equipment to be purchased from America, and inspection, erection, and operation thereof for the above-mentioned plants; and

Whereas the Chemical Company agrees to perform these services and guarantees the successful operation of the plants for the Chinese Government: Now, this agreement witnesseth as follows:

Article I.—The Chemical Company will prepare and deliver to Wu, or his designated agent, the Wah Chang Trading Corporation, of 233 Broadway, New York City, N.Y. (hereafter called Wahchang), within ninety (90) days from the date of this contract, specifications of machinery and equipment to be required, full plans, drawings, and blueprints for the building, and complete equipment of the plants, as follows:

(*a*) plant for the production of a minimum capacity of 500 lbs. of in 16 hours per day of two 8-hour shifts.

(*b*) plant for the production of a minimum capacity of 500 lbs. of in 16 hours per day of two 8-hour shifts.

(*c*) plant for the production of minimum capacity of 500 lbs. of in 16 hours per day of two 8-hour shifts.

(*d*) plant with a capacity of 300 net quantity of any one of the 4 types of universal at a time in 8 hours.

Article II.—The Chemical Company will prepare and deliver to Wu or Wahchang within thirty (30) days from the date of this contract building plans and blueprints for the four (4) buildings capable of housing the above (4) plants A, B, C, and D, as desired under article I.

Article III.—The Chemical Company shall furnish list of machinery, materials, or any other equipments to be purchased for the complete erection of the above-mentioned plants to Wu or Wahchang for making purchases and will help Wu or Wachang to secure the machinery, materials, or equipments at the lowest price possible, with, of course, the understanding that no machinery or equipment to be purchased which is stated by the Chemical Company, in writing, to be inadequate for the operation and efficiency of the plants. The Chemical Company is to receive no extra payment for this work, other than provided in article VII, nor accept any commission from the manufacturers that furnish the equipment.

Article IV.—The Chemical Company, at the request of Wu or Wahchang, will inspect the machinery and equipment at the factory of the manufacturers either during the process of manufacturing or before shipment upon notification of Wu or Wahchang and issue certificates of inspection. The Chemical Company shall furnish an engineer at their own expense for such inspections as may be requested, but the Chinese Government shall pay the actual travelling expenses.

Article V.—The Chemical Company will send one general superintendent and two engineers to China to superintend the erection of machinery and equipments and their operations. The salary, expenses, and duty of this superintendent and engineers will be described in articles X, XI, XII, XIII. The salaries and expenses of these engineers are to be paid by the Chinese Government to the Lake Erie Chemical Company.

Article VI.—The Chemical Company, as a result of the engineers' services furnished, inspections of machinery and equipments purchased in America by them, and erection and operation of machinery under the instructions of the superintedent and engineers employed by them (provided the labor furnished by the Chinese Government carries out such instructions to the satisfaction of the Chemical Company), guarantees that these plants will perform the work specified in A, B, C, and D and turn out products meeting the specifications and standards of the Army of the United States of America at the time contract is signed, unless prevented by strikes, fires, riots, revolutions, wars, acts of God, or the public enemy, or other causes beyond the Chemical Company's control.

Article VII.—The Chinese Government will pay the Chemical Company the sum of three thousand dollars ($3,000.00) for the services as described in article II.

Article VIII.—The Chinese Government will pay the Chemical Company the sum of ten thousand dollars ($10,000.00) for the services described in articles I, III, IV, and V.

Article IX.—The payment as described in article VII is to be fifteen hundred dollars ($1,500.00) upon the signing of this agreement and fifteen hundred dollars ($1,500.00) upon the delivery of specifications and blue prints to Wu or Wahchang. The payment for the amount as described in article VIII is to be three thousand three hundred thirty-three dollars and thirty-three cents ($3,333.33) upon the signing of this agreement, three thousand three hundred thirty-three dollars and thirty-three cents ($3,333.33) upon the complete delivery of plans, specifications, and blue prints of complete equipment to Wu or Wahchang, and three thousand three hundred thirty-three dollars and thirty-four cents ($3,333.34) upon the completion of erection of equipment.

Article X.—The superintendent described in article V for superintending the erection and operation of the plants is to be employed by the Chemical Company for the Chinese Government, but with the approval of the Chinese Government as to his character and capability. It is agreed and understood that M. A. Muskopf, of Edgewood Arsenal, Maryland, will be employed by the Chemical Company for that position. In the event that Muskopf is prevented from going to China for unavoidable reasons, a man of equal standing and knowledge in the erection and operation of the four (4) plants, A, B, C, and D, shall be employed and sent to China with the approval of the Chinese Government. This superintendent shall be employed for a period of at least two (2) years from the date of departure from the United States, it being understood that in this period he will be charged with other duties in addition to the above four (4) plants, such as, shell-filling plant, airplane bombs, manufacturing plant, etc. The Chinese Government has the option to retain this superintendent for another year if so desired. The salary of this superintendent is to be nine hundred dollars ($900.00) per month from the date of departure from the Pacific coast of North America to the date of returning to the Pacific coast of North America, plus five (5) days each way for travel between the coast and his residence.

Article XI.—The Chemical Company will employ two other engineers for the period of six (6) months, as described in article V, with the approval of the Chinese Government, and send such to China at the salaries of six hundred dollars ($600.00) and four hundred fifty dollars ($450.00) per month, respectively, from the date of departure from America to the date of returning to America. The duties of these two engineers are to help erection and operation of the plants.

Article XII.—The Chinese Government agrees to pay first-class transportation and expense for said engineers engaged and employed under articles X and XI from present residence in the United States to the point of erection and return. The Chinese Government further agrees to provide within the period of the contract these engineers with first-class living accommodations prevailing at the place of erection.

Article XIII.—The Chemical Company agrees to notify the superintendent and engineers engaged and employed under articles X and XI that they should always comply with the regulations of the plants and the laws of the Republic of China. If any of them should have violated the laws of the Republic of China or are found to be disloyal to the Chinese Government or to be incapable of performing the duty entrusted in him, the Chinese Government shall dismiss him, giving him passage to America and his salary ceases thirty (30) days from the date of dismissal. Should such unfortunate situation arise, the Chinese Government will notify the Chemical Company by cable, either direct or through its agent in New York, and the Chemical Company should immediately replace with another man with the approval of the Chinese Government on the same terms and conditions provided by articles X and XI. In case of any sickness or injury happening to any of these engineers at the place of erection, the Chinese Government agrees to send them to nearby hospitals, if desired by them, but the Chemical Company shall hold the Chinese Government harmless from any claim for such injury or disability. The Chemical Company will provide for such accidents by insurance under the American compensation law.

Article XIV.—It is provided that all payments under this contract to the Chemical Company will be made by Wahchang upon the authorization of the Chinese Government, and the Chemical Company will issue receipts in duplicate for such payments received.

In witness whereof the parties hereto have hereunto set their seals the day and year first above written.

The common seal of the above-named National Government of the Republic of China, through its accredited representative, Mr. C. L. Wu, was duly affixed to these presents and the same were delivered in the presence of: The National Govt. of the Republic of China, per C. L. Wu.

The common seal of the above-named Lake Erie Chemical Company was duly affixed to these presents and the same were delivered in the presence of: The Lake Erie Chemical Co., by B. Goss, pres.

THE LAKE ERIE CHEMICAL COMPANY,
Cleveland, Ohio, Feb. 26th, 1934.

Sold to Wah Chang Trading Corporation, Woolworth Building, New York City, N.Y. Our inv. no. C11003, your or. no., contract. Shipped to delivery of specifications.

	Amount
E—Complete plant control methods for processes	$250
Authorization letter dated September 22nd, 1933, from Wah Chang Trading Corporation, signed by K. C. Li, president.	
A—Chemical control laboratory; B—Service building (2)	1,075
	1,325

Authorization letter dated August 1st, 1933, from Wah Chang Trading Corporation, signed by K. C. Li, president, accepting auxiliary requirements of chemical-plant project outlined in our letter of July 25th, 1933, signed by B. C. Goss, president.

(Paid 2-28-1934.)

NEW YORK, N.Y., *Oct. 18th, 1932.*

THE LAKE ERIE CHEMICAL CO.,
5806 Hough Ave., Cleveland, Ohio.
(Attention Col. B. C. Goss.)

DEAR COL. GOSS: This is to acknowledge receipt of your letter of Sept. 19th, in which you advise me that you will undertake to prepare the building plans and specifications and also the complete specifications for equipment for shell-filling plant capable of loading approximately 500, 75 mm shells per day.

This plant will be built in the same location as the other four (4) plants A, B, C, and D, and the supervision of erection and successful operation are as per terms and conditions outlined in our contract of September 15th, 1932.

For all of this service we shall pay you an additional amount of $1,000.00 (one thousand dollars), payable in toto upon the delivery of the complete specifications for the equipment.

Yours very truly,

NATIONAL GOVERNMENT OF THE REPUBLIC OF CHINA.
C. L. WU.

CLW: m.

WOOLWORTH BUILDING,
New York, December 14, 1933.

THE LAKE ERIE CHEMICAL COMPANY,
5806 Hough Avenue, Cleveland, Ohio.

GENTLEMEN: Referring to the agreement between you and the National Government of the Republic of China, dated September 15, 1932, article 10, I hereby guarantee that Mr. M. A. Muskopf's salary of nine hundred dollars ($900.00) per month will be paid to you monthly by the Chinese Government, beginning March 10, 1934, to March 10, 1936, for the period of two years, and for the total amount of twenty-one thousand six hundred dollars ($21,600).

In order to avoid misunderstanding, a check will be mailed on the 10th of each month for the amount of nine hundred dollars ($900.00), "to the order of the Lake Erie Chemical Company for deposit in the account of M. A. Muskopf." Better still, if Mr. Muskopf will give me the name of his bank, I will see that the check of nine hundred dollars ($900.00) is deposited monthly to that bank so that Mr. Muskopf can draw it at any time while he is in China.

This guarantee only holds good provided that Mr. Muskopf sails for China not later than March 10, 1934, and is in the actual employment of the Chinese

Governemnt as superintendent, superintending the erection and operating of of certain chemical plants in China.

This letter is given to you in duplicate.

Yours faithfully,

K. C. Li.

The Lake Erie Chemical Company,
Cleveland, Ohio, February 5th, 1934.

Sold to Wah Chang Trading Corp., Woolworth Bldg., New York, N.Y. Our inv. no. C11002: Your or. n. Contract. Shipped to delivery of specifications.

	Amount
C—Complete chemical and physical specifications for the raw materials and chemicals to be purchased	$500.00
D—Complete laboratory analytical methods	400.00
	900.00

Authorization letter dated September 22nd, 1933, from Wah Chang Trading Corporation, signed by K. C. Li, president, accepting auxiliary requirements of chemical plant project outlined in our letter of July 25th, 1933, signed by B. C. Goss, president.

("Exhibit No. 767" appears in text on p. 1948.)

("Exhibit No. 768" appears in text on p. 1960.)

Exhibit No. 769

The Enterprising Bureau,
Istanbul, June 15, 1933.

The Lake Erie Chemical Company,
5806 Hough Avenue, Cleveland, Ohio.

Dear Sirs: This is to acknowledge the receipt of your favour of 11th inst. Kindly send. Thank you.

Regarding the opinions stated in your letter from the required devices for a new gas-mask plant, has been carefully noted. We have forwarded one copy of this, your letter with its translation, to one of our new associates (Huseyin Husnu Bey, deputée of the State of Tokat and in the same time the vice president of the Turkish Red Cross Association) for his advices regards how to give in our propositions for this gas-mask plant.

This gas-mask factory has to be build by the Turkish Red Cross Association, undoubtedly under the superintendency of G.H.Q.

As we had written on to you with our previous correspondences of 6th and 12th of May and giving you all the details requested for this new gas-mask plant by giving you the important motives on which our G.H.Q. was insisting to have, namely, MIV canisters the same used in U.S. Army; and, secondly, to replace the rubber-face peach with leather, as we have no rubber production in the country.

This most two important motives are already available in our possession. You will provide the MIV canisters and we have already found and are in a position to procure the leather homely, a sample of which is attached to the letter (of this leather, we can provide any size or dimension desired) for your approval. Now, dear sirs, we do not see what else is required more to get this business?

Foreseeing all the competitive and unitaire interests which we were to face in this sort of governmental business, we have succeeded to adopt a new firm, as it will be seen per enclosed circular letter. Undoubtedly this circular is rather pro forma and is for to mask the entire enterprise, as in this firm we include some most prominent and respectful people with social and official power, in the meantime with some important financial standing, whose present positions are not available to take part in any commercial associations; therefore, we are combined with an unofficial contract and the writer of the letter is to represent the entire group as being the president of this new bureau.

We can assure you once more so after any proposition given through our bureau is provided with every kind of required assistances for its success, it be official power, financial, or anything else. So that you can easily rely upon our bureau in regard the payment of the estimate of the specifications of the plant involved.

Hoping to give you more interesting news shortly, we beg to remain, dear sirs,

Yours very truly,

BEKIR NUZHET.

BN/CE

EXHIBIT No. 770

AUGUST 16, 1933.

THE LAKE ERIE CHEMICAL COMPANY,
21 West Street, New York, N.Y.

(Atty.: Mr. H. A. Huber.)

GENTLEMEN: In answer to your letter of August 15, it is no wonder that Federal's quotation was lower than yours if you you quoted Mr. Decker list prices on the bombs in question. As you are aware, there is a total discount of 30 plus 5 percent from list prices on military equipment, of which 30 percent normally goes to the distributor and 5 percent to your office.

As I understand it, we have no exclusive agent in Bolivia and I would think, therefore, that you would be able to give Mr. Decker a discount of 15 or 20 percent from list prices if it is necessary to meet Federal's price.

At any rate, the following are the net prices Lake Erie must receive on quantities of 500 each of the 3 bombs mentioned:

30-lb. ring-type frag. loaded	$22.00
50-lb. demolition, loaded	30.00
100-lb. demolition, loaded	46.00

You must add to these prices whatever commissions are to be paid.

As you may or may not know, our agreement with your brother is that we split with him any overage received from the customer over our net price. In other words, if bombs were actually sold to the customer at list prices, your office would receive 5 percent plus 15 percent, and we would receive our net plus 15 percent. I do not know whether you are aware that your brother had some understanding with Mr. Decker, but it probably would be best for you not to mention this to Mr. Decker unless you are familiar with the arrangement. It is my understanding that Mr. Decker will be very much interested in seeing that we get this order.

In view of the fact that you are not familiar with this business, I request that you wire me immediately when and if Mr. Decker actually is authorized to buy these bombs and has received the money. In other words, when he is ready to place an order somewhere, Major Spring will come to New York to help you handle this.

According to the figures your brother gave me shortly before he left, Federal's list price on 30-lb. ring-type fragmentation bombs was $37.00 in lots of 500 to 1,000, and their list price on 50-lb. loaded demolition bombs, same quantity, was $45.00. It appears to me, therefore, that your difficulty arises from the fact that you have not given Mr. Decker any discount while Federal undoubtedly did.

We may be able to get permission to have Mr. Decker phone a U.S. naval officer who has inspected both our bombs and Federal's and who told us confidentially that there was no comparison in quality between Federal's bombs and ours. If you desire you may mention this to Mr. Decker and, if he is desirous of further satisfying himself regarding the superiority of our product, we will try to get this permission and then give you the phone number of the officer in question, but this must be regarded as very confidential with Mr. Decker if you do this.

Very truly yours,

THE LAKE ERIE CHEMICAL CO.,
B. C. GOSS, *President*.

EXHIBIT NO. 771

LA PAZ, *June 8, 1932.*

EXPORT CONSOLIDATED COMPANIES,
21 West Street, New York.

GENTLEMEN: I have had the pleasure of knowing your firm thru the medium of a distinguished official of the army, who appreciates your offer of the 7th of April for the sale of tear-gas grenades and explosive bombs of various sizes and classes.

At the same time he cautioned me to advise you in a very confidential manner that the above proposition is being carefully studied in the various military departments to gather all the information.

The object of the present letter is to ask you in the character of particular urgency, if you can and care to supply this material to the Government: Hand bombs of asphyxiating gas in the quantities of approximately 80 to 100,000 and hand bombs of tear gas. The latter will be ordered in smaller quantities.

In order not to lose great amount of time in correspondence, in case that you accept to send me your proposition and offer, please fix your prices in order to include 3% commission for me and 4% for expenses of influence and propaganda and send me four empty bombs as a sample, with literature, special data as to construction, pressure, etc., as well as instructions in Spanish.

It is very probable that this Government will order a small lot of bombs of the two classes in order to make a trial on account of the rarification of the air at this altitude and other causes before closing a quantity contract. If the Government deems it convenient in this way they will advise you by cable for the immediate despatch of the lot that is ordered.

I am waiting to receive an immediate offer that I ask for, with details as to prices, c.i.f. Pacific port if possible, conditions of delivery, and conditions of payment.

Very truly yours,
FVH: RL. PIETRO LUCOMO.

P.S.—My references are the Italian Legation in La Paz, Bolivia.

EXHIBIT NO. 772

PETROLEUM DEPARTMENT, DEPARTMENT OF RECONSTRUCTION,
KMANGTUNG PROVINCIAL GOVERNMENT,
West Building, Ka Naam Tong Tai Ping Naam Road,
Canton, Feb. 12, 1934.

Col. B. C. Goss,
Pres. The Lake Erie Chemical Co.,
5806 Hough Ave., Cleveland, Ohio, U.S.A.

DEAR COLONEL GOSS: I wish you would refer to our correspondence held while I was in Shanghai. I managed to get a G$5,800 *sample* order from Nanking, for the Federal Laboratories, so they immediately sent a representative; slashed 20% off the prices and left me on a limb, with the ministry, for overcharging—and I used the list prices only—allowing cumsha here and there.

·I am technical director and adviser to this government, and with this province are four other provinces, totaling 100,000,000 people. I recently took a commission of military heads to the Philippines, and for no good or particular reason have access to business which would be mutually advantageous. Permits, or Huchous, from Washington and locally are obtainable by me; but we wish to do business direct—and if I can't then we have to go to Czechoslovakia and Germany.

Will you kindly permit me to place an initial and sample order, with the same understanding we had before. We have a monopoly on petroleum oils, and can do the same on various military supplies, if you are in a position to work with me.

Sincerely yours,

W. K. SMITH.

I am leaving for Shanghai for a month—will you kindly address me there as it will be forwarded to me air mail if I leave. (Leave Mar. 30 from Shanghai.)

W. K. SMITH,
Hotel Embassey, Bubblingwell & Carter Roads, Shanghai.

EXHIBIT No. 773

MAY 14, 1934.

Mr. GEO. W. PAY,
The Lake Erie Chemical Co., Cleveland, Ohio.

DEAR MR. PAY: Replying to your letter of the 9th, my commission on the Colombian bombs will be something over $5,000, plus about $3,500 gross profits on the bomb hoists and bomb sights, which profits were to be split evenly after deducting whatever amount I have to pay the grape vine. This understanding, however, was made between the colonel and myself while we were negotiating to have the U.S. ordnance engineers finance the business and put up the corresponding bomb. I later on arranged to have the bomb-sight order placed directly with the manufacturer at a higher price and also engineer a better profit on the bomb hoists. I therefore will settle these details with the colonel after he returns.

As I have already drawn $2,000 on account of the Colombian bomb business, you could figure in the other check for about $3,000 whenever it is convenient to you, as mentioned in your letter of the 9th.

Yours very truly,

F. V. HUBER.

("Exhibit No. 774" appears in text on p. 1968.)

EXHIBIT No. 775

APRIL 27TH, 1933.

(Excerpt.)

DEAR COLONEL: I tried to get them (consul) committed by telling me what specifications he wanted on the 600, but, as he said they would have to be the same as Federals 1100, etc., I smelled a rat and tried to reach you on the phone from 9:30 to 12 last night at home, but no one answered. I then coerced the consul into leaving this matter entirely to Steese and that you and Steese would have to settle specifications, etc. I feel sure that Federal uncovered the mouse to him and he might insist with Steese to go back on his agreement of supplying an arc welded bomb so that you would have the chance to get Steese compromised to accept them, in writing.

The purchasing agent of the Place department called me for a quotation on the 200 CN grenades with not less than 90 grams of CN 3½″ in size. (He told me, there were two sizes which makes the specifications written exactly for B. & T. Munitions.) My first impulse was to call Dittman, but upon second thought I remembered that you had it out with him and decided it best to advise you directly, so that you might send a telegram of explanation to Dittman (or if you wanted to risk it to O Ryan). This appears that Dittman is determined to buy the B. & T. and more or less confirms what he told Schlessinger. Anyhow, I explained to the P.A. that such specifications meant nothing and were pure bull, because if the gas burns up it does not generate. He then asked me to tell him what it should be and I promised to advise him later. If I remember correctly, it was 17 grams.

Cowdry was in and asked if I had received the letter of credit, as you promised to confirm the order for the MK 7 water-practice bombs as soon as you had the credit arranged. He has not placed the order for you with Edwards as yet, altho he would not specifically say so, and kept evading a direct answer. Better attend to this at once, as I did not want to butt into any of your arrangements.

F. V. HUBER.

EXHIBIT No. 776

(Excerpt.)

MAY 29, 1933.

FERD. V. HUBER,
Lake Erie Chemical Company,
21 West Street, New York City.

DEAR MR. HUBER: Inspector Steese was here this morning for final inspection of the Siam bombs before shipment and complimented us very highly on the work; in fact, he told me this morning that coming here to inspect our work was a vacation for him, as it was beautiful work and that he was going to tell the commander so. Confidentially, he told me that it had been quite different at the other place, and that he had had to spend four days going over every part of the fuzes alone. He implied that there were many rejections and that he had difficulty getting together assemblies that would work. He was in our plant about an hour and a half, at the end of which time he said, "You do not need any inspector on this stuff", and announced that he was satisfied and ready to leave, which he did.

I do not know what use we can make of this information as Steese is a navy man, and a very fine fellow, and I certainly do not want to get him into any jams by quoting him. However, it might be possible in case of a close decision regarding some future order, to have someone call him on the phone, simply saying that they "understand he had been an inspector on some of our work" and he might not object to verbally giving them an opinion on the relative merits. His address is J. M. Steese, % Bellanca Aircraft Corp., New Castle, Delaware.

Very truly yours,

THE LAKE ERIE CHEMICAL COMPANY,
B. C. GOSS, *President.*

BCG : RH

EXHIBIT NO. 777

JANUARY 10, 1933.

Mr. FERD. V. HUBER,
Export Consolidated Companies,
21 West Street, New York, N.Y.

DEAR MR. HUBER: I meant to discuss with you further the subject of this big quotation on the 50,000 bombs and fuzes to United Aircraft, but in the press of other matters, forgot it until I was on my way to the train.

As you know, we have figured very low, indeed, on this order on account of the size and on account of probable European competition. You also remember that I gave you some figures when I first arrived which I stated to be the lowest possible net to you and then when Mr. Love told about the possibility of the order going to Czecho Slovakia and offered to call Rio on long-distance 'phone for our benefit, I added 25¢ on the bomb, itself (about 3%) and added nothing on the fuze quotation. I felt that the order was so big that we should gamble on a very small profit per unit.

All of the above is apropos of my belief that you should be willing to take 5% commission on what we actually receive from either United Aircraft or Mayrink Veiga on this order if we should be lucky enough to get it, rather than 5% on a theoretical list price which would be equivalent to about 8% on what we actually got. You will be interested to know that the price we are quoting United Aircraft on this is actually less than these bombs cost Federal and we are taking a terrible gamble in accepting the order for this many bombs at as low a figure as this, based on purely theoretical costs, since we have never actually sold any of these. Your commission on the basis of 5% of our actual receipts, if we should get this order, would amount to approximately $24,000.00. I hope, therefore, that you will concur in our feeling in this matter and sign the attached supplement to our agreement.

In regard to the telegram you sent me yesterday regarding the arms embargo bill, the most powerful lobby in Washington is that conducted by the American Legion. Immediately upon receipt of your wire, I had a telegram sent to Traylor who is head of the American Legion lobby by the Ohio State commander of the American Legion and the national commander of the "40 and 8" which has probably a million members, requesting that every ounce of pressure be brought to bear to stop any such foolish action and stating that the only possible result of such a bill would be to throw all of this business to European manufacturers at the expense of American industry. I cannot believe that even our Congress would be dumb enough not to see this themselves.

Best regards.

THE LAKE ERIE CHEMICAL COMPANY,
B. C. GOSS, *President.*

bcg-bls
encl.

P.S.—Referring to our conversation with Colonel Noonan, since it has been a long time since the war and he may have forgotten everything except my name. I think it might be a good point to send or hand him the attached statement from General Fries, without, of course, saying that the suggestion came from me.

We want to be sure that, in case they should decide to buy any gas, there will be no question in Colonel Noonan's mind as to who is the authority on gas protection.

B. C. Goss.

EXHIBIT No. 778

PALACE HOTEL,
Managua, Nicaragua, Oct. 11th, 1933.
DIRECCION CABLEGRAFICA,
"*Palace*", *Managua, Telefono No. 125.*

DEAR COLONEL: If there is a plane tomorrow I am leaving for Tegucigalpa to get the money on the order and fix up another order if they have the money. Ed. is on the coast and as this is secret we could not let any employee in on it. I will change the order to be shipped via California on the same boat with the Nicaraguan order, on explosives and ship the nonexplosives via New York.

I have lost a lot of time on account of bad flying weather and difficulty of the governments to obtain gold, as exchange is available when coffee begins to move in Dec., but hope to be back in New York the first days of November, but, on the other hand, feel as tho I have done excellent missionary work for both you and myself altho it takes time and money to do it. Everything is based on politics in these countries and I have to make sure that I have the combination and therefore have to move with caution because there are dozens of politicians who are always after a commission and if you don't watch your step you will not get any business.

Altho the Nicaraguan and Honduran orders are not what I expected, I am satisfied that we will both capitalize on them later. On the other hand, these orders in comparison with the South American countries orders are excellent, and if it were not for the very acute situations I would have made previous business look like a piker, but these countries just began to realize that there was a real depression on about a year ago and feeling the panicky effects right now, while larger countries are getting back on their feet by this time. As an example the local banks have collected about 600,000.00 U.S.C. on drafts and will not have the exchange to make the remittance until coffee starts to move.

If there is a plane I will leave Tegucigalpa Tuesday the 17th, for Salvador and then go to Guatemala for a week and to Mexico. However, I feel as tho I should get back to New York as soon as possible as I have overstayed my trip on account of delays beyond my control and had I not done it I would not have gotten even these small orders, but our products will be known and repeat business and larger business must follow, and we have the introductory work finished which has been the biggest obstacle.

Please put a Baby Giant and six shells in one of the cases wrapped separately and marked "For Gral. A. Somoza", noting the package on the packing list, as I promised him one gratis for his home.

I wired you to send me some catalogues to San Salvador and Tegucigalpa so that I can get them to the proper parties at once. You find Federal catalogues around every office of war, gobernation, and police depts. W. S. Darley & Co., of Chicago, have also circularized these countries with their catalogues with Federal equipment illustrated. European firms are stronger than U.S. firms in getting ordnance business, offering lower prices and terms. The Schmeisser machine gun is very popular and they have sold quite a few at $46.00 FIC. I have been afraid to push your gun too hard on acct. of delivery and they kick like hell against $175.00.

I hope that you are helping Hugo as much as possible and that my absence has not jeopardized our mutual interests. I will come to Cleveland as soon as I get back to get next years business planned out with you.

Sincerely yours,

F. V. HUBER.

EXHIBIT No. 779

EXPORT CONSOLIDATED COMPANIES,
21 West Street, New York, June 16, 1934.

Mr. H. A. GRUNDLER,
The Lake Erie Chemical Co.,
Cleveland, Ohio.

DEAR MR. GRUNDLER: I turned over the packing list and railroad bills of lading on the mechanical parts for nose fuzes and invoices on the last shipment of 500, 50-lb. bombs. The consul took the position that he would pay one-third against railroad bills of lading and one-third against ocean documents and I pointed out that we were prepared to have them in South Amboy as per contract, but delay was caused by his telegram of May 25th. I thought it policy not to make an issue, as we will collect next Wednesday.

I am enclosing copy of a memorandum dated June 10th from Strong, stating that the Mk. V tail fuze on the 600- and 1,100-pound bombs is obsolete and that the M–101 tail fuzes for the 600-lb. bomb and M–102 for the 1,100-lb. bomb are available and adopted by the Army as the latest types. I understand that this was adopted March 5th of this year. You have a copy of my letter to the consul dated April 20th and April 28th confirming Colonel Goss's specifications dated April 28th. I understand the colonel had these specifications approved by Mr. Steese before he sailed but I think this confirmation was by telephone and not in writing, however, you may have some record in Cleveland that I do not have here.

Regarding the firing pin on the Mk. VII fuze, I remember a conversation between Colonel Goss and Mr. Steese in which, as I remember it, Steese said the firing pin was to be made of brass. I remember this distinctly, because when we got out of there I asked the colonel what he meant by a glass firing pin as I misunderstood glass for brass.

You realize the trouble consists in fixing Strong, as I am confident that Steese approved our specifications in detail and had them all clear with the colonel. I will try to find out what kind of tail fuze Federal supplied on the 1,100-lb. bombs, as I hear a rumor this week that they were in a jam with the Colombian consul.

I received the official order from the Government of Honduras for 500 fragmentation bombs at $27, but another letter from the inside secretary to charge them $30. In the same order to the U.S. ordnance engineers is included $3,000 worth of cartridges on which I personally quoted, but I cannot give you any profit on the cartridges, as most all of this goes to the gang down there. Before manufacture is started on the bombs I will have to get these details thrashed out and get the credit established, because they simply state they accept terms of payment, but I do not anticipate any difficulty on this score.

Yours very truly,

F. V. HUBER.

FVH: RL
cc: Colonel

EXHIBIT No. 780

THE LAKE ERIE CHEMICAL COMPANY,
New York, November 27, 1933.

THE LAKE ERIE CHEMICAL CO.,
Cleveland, Ohio.
(Att: Col. B. C. Goss.)

MY DEAR COLONEL: The chief of police of Rio de Janeiro checked out of the hotel on November 21st and according to hotel employees was on his way back home.

I have yours of November 24th and wish to thank you for your frankness, I really appreciate it as I have always been equally frank. I am getting all the loose ends out of the way and I am getting my bearings on what has and is happening. So far as I have learned the Bolivian order was 300 fragmentation and 200 demolition.

Although Richardson obtained some business I really expected a great deal more, owing to the size of the countries and their possibilities. I also expected greater returns from my trip but economic conditions are so adverse that it was not possible to get it at one time. I feel confident that these will be coming along in proportion to the money available.

When I first heard that Richardson returned from his trip I wrote to him not to compromise himself for any office space with the idea of making a combination of working his and my lines together. This was in August before you had written me making the above suggestion. However, upon receipt of your insistent letters I could not help but be annoyed and did not want you to make any commitments that would possibly make it more difficult for me to make an arrangement with Richardson or anyone else and always depended on your loyal support. I proposed to Richardson to combine our lines and in principle we are in agreement on this, but I think he is waiting until you arrive in New York before making his decision. I did not want to rush such a proposition and do not believe that Richardson will be able to arrange a trip for several months to come.

Regarding collection of the Honduras account, if the Barr Shipping Corp. made the collection they would send the papers through a bank and this is what the government specifically asked me to avoid, on account of the publicity of the situation. In making the collection my brother would only get the cash in lempiras and immediately convert same into a New York draft, the same as he did on the first payment and you can hold me legally, morally, and financially responsible for this collection, because if this collection is sent thru a bank it will be public notice and preclude any future orders as the president would consider it a breach of confidence. The manager of the Huber Honduras Co. in Tegucigalpa is a brother of the Subsecretary of Finance and the President did not even want him to learn about it and took the funds from the road fund. I explain these details so that you will get a clear picture of the situation as the only ones that know of this order and of future orders to be placed are the President, the Chief of Staff, the Minister of War, Edwin and myself and if I comply with their request I will be getting additional orders.

Complying with the last paragraph regarding the machine guns, I will in the future refrain from any conversations with Griffin & Howe. I talked to Mr. Griffin on the telephone and later saw Mr. Hyde to discuss the defects of the gun and will go over this with you upon your arrival in New York before you see them so that you will have full knowledge of the conversation.

If Mrs. Goss and yourself have any time free I would be glad to have you plan at least a meal with us. Mrs. Huber remained in Salvador to look after a sister who has been in the hospital for several months; however, in the event that you wanted your children to have a few days vacation you might bring them along and let them stay with mine as we have a very good housekeeper to take care of them all and they would be no bother for yourself or Mrs. Goss.

Barr Shipping Co. just called up and said that they have no invoices for the Honduras order and therefore wired you to send them to me in order to make them out in Spanish. This is necessary for the Consul.

Yours very truly,

F. V. HUBER.

EXHIBIT NO. 781

EXPORT CONSOLIDATED COMPANIES,
21 West Street, New York, June 25, 1934.

Mr. H. A. GRUNDLER,
The Lake Erie Chemical Co.,
Cleveland, Ohio.

DEAR HAROLD: I just received a cable that the Minister of War has been absent from Tegucigalpa, Honduras, and that they expect to get the credit open this week. However, do not start manufacture on these bombs until I definitely advise you. I cannot understand why you give me 9 weeks' delivery on 500 fragmentation bombs when Federal made delivery of the first 500 on the Colombian order in less than 4 weeks. I am assuming that delivery can be made in 4 to 6 weeks and if we get the credit this week we should try to get them on the S.S. *Nosa Chief* which is scheduled to sail from Wilmington Calif., on August 16 and there is not another steamer until September 27. If I would tell the Government of Honduras that delivery could not be made until September

27 they would simply cancel the order, for I am satisfied that Federal would give them better delivery.

I received the snapshots of the tank. Many thanks. I also received from Aiies the note regarding Colonel Hoffman from Cuba and the inquiry from Healey in Boston. It is not necessary to go into details to explain to Mr. Wilson that the facts are that Texidor is Federal's agent in Cuba and is simply trying to double-cross us. He was representing Remington and tried to get Winchester compromised and it is therefore necessary that none of you make any commitment on these foreign connections until you consult me as I know most of the detailed dirt. I will, however, advise Richardson, who might be able to get Texidor to cross Federal, if Richardson thinks that Federal are still competitors in Cuba. Richardson thinks they are not but I do not agree with him and we still have to battle.

I wish you could give us a quotation on the 6,000 rounds of 1-pounder and 3,000 rounds of 75's, in order to give Young some competition, but this will have to be done immediately as there is not a week to lose.

I appreciate your point of view as expressed in your letter of the 23d and for my part always try to arrange things with the least possible inconvenience to all concerned. I sent you the original letter from the consul stating that we were to make complete shipment of the 600 pounders on the S.S. *Martinique* sailing July 17. The Colombian Steamship Line, however, advise that they are not compromised to take this shipment. Nevertheless, we should be prepared to make the shipment on July 17 unless otherwise notified.

As soon as the Colombian Line and the consul get themselves straightened out I will advise you further about shipping the 48 cases of nonexplosive equipment.

I wired you Saturday morning to send me invoices for the second lot of 600-pound bombs as I have already received the packing list from Atlas. As soon as I receive this invoice and packing list on the nonexplosive material I will be able to collect the balance due on the second lot.

I will try to see Mr. Calpper personally about this lighterage business and I spoke to the Conners Marine, who are in the same building with us, about the lighterage charges and facilities. Conners thinks that we are being gipped by Healing and said that he would go into the matter and advise me whether or not they could handle the lighterage to advantage for us.

I spoke to Dittman on the telephone about the portable cylinders and he said he did not have a chance to make this demonstration for the Commissioner of Police but will do so within the near future. I think we had better let them keep the tank at least until it is discharged as I understand you cannot ship a charged tank by railroad.

As long as you will supply the baby giant at the same demonstration price as the 410 pens and cartridges I think you better ship the baby giants to Richardson in order to avoid further delay. Richardson has been in Mexico 6 weeks, on which I have advanced the expenses and delay from our end should be minimized.

Hyde thinks that he will be ready to shoot some guns the last of this week or the first two days of July. After Grundler is all finished with the Colombian business I think he should come over here right after the 4th of July and we will again fire these guns to check up on Hyde. The three guns that I need are not finished yet and Hyde has thrown them into the general lot of production. I will be greatly relieved when we get a stock of guns to sell from instead of depending on this hand-to-mouth supply.

The grapevine advised me that the police department had already written to De Bobula for a new quotation on the grenades and I think that you should write Dittman a letter on the green-band grenade, telling him the amount of CN that you can put into it. By eliminating the blasting cap fuse we might be able to make it stick by cutting the price on a quantity of 200 down to $5.35 each.

Yours very truly,

F. V. Huber.

FVH/RL.

Cargo to be loaded free in.

EXHIBIT No. 782

HOTEL MANHATTAN TOWERS,
BROADWAY AT 76TH STREET,
New York City, Apr. 14th, 1934.

Mr. F. V. HUBER,
Export Manager, The Lake Erie Chemical Co.,
21 West St., N.Y. City.

DEAR MR. HUBER: Referring to our recent conversation regarding possible cargo of "our material" to one of the South-Central American ports, I herewith make a firm offer to carry this cargo, on following basis:

(*a*) Ready loading, within ten days' notice, any port on the east coast, U.S.

(*b*) The ship will be employed only for your cargo. No other cargoes will be carried. Discharging in one or two ports, or in any sheltered navigable inlet, or on high seas (weather permissible), according to previous arrangements made as to "rendezvous." Cargo to be discharged free out.

(*c*) The charge for carrying this cargo will be made in lump sum. Total not exceeding $20,000 payable 50% upon signing of contract and the balance of 50%, when the whole cargo has been loaded on board, before departure from U.S. port. This charge covers cargo in weight up to 600 tons, DW.

(*d*) The unloading and receiving of cargo must take place within 24 hours upon arrival at port of discharge or rendezvous, after the receivers have been properly notified by the captain or owner of ship. The demurrage on both sides for failure to have ship ready to load, or for failure of receives to be ready, ready to discharge and receive the cargo, within specified limits herein stated, shall be $100 per each 24 hours of delay.

(*e*) It is understood and anticipated that the M/S *Catharina* will be employed to carry this cargo, but if for any reason she will not be available the owners have the right to supply substitute. I will personally take command of ship and delivery of cargo in any case. One agent of receivers or senders can accompany the ship, but he must leave the vessel as soon as cargo is discharged.

(*f*) The owner and captain shall not be responsible for any damages or loss of cargo, in cases such damages or losses were incurred in order to protect life and property while at sea or in port. The usual "force majeure" clauses will apply as well. This is necessary—because of the unusual character of the cargo.

Thanking you, in anticipation of an early contract, I am,

Yours faithfully,

S. M. RIIS,
Ship owner and commander.

SMR/EJ.

EXHIBIT No. 783

THE LAKE ERIE CHEMICAL COMPANY
5806 HOUGH AVE., CLEVELAND, OHIO

HAVANA, *October 24, 1932.*

B. C. GOSS, *President.* Cable address "Lakechem Cleveland"

DEAR MR. AILES: I have just received your letter and one from my wife. She says that although the man returned to Cuba she has sent you his name and address.

As far as I know, he has not bought anything. He was recalled because my offer was better than anything he could get there.

The drop bombs were bought for $24.50 (empty frag. bombs). 25 lbs.

Last Friday I was with Ltnt. De Mestre, who is the expert here. I explained to him the difference in fuse construction between the ones he bought and the ones we offer.

He has bought a whole arsenal from Federal.

When I showed him my long-range gun he pulled out one of the Federals. I immediately showed him the lack of balance of the Fed's. and the fact that it was a converted signal pistol. That seemed to sink. I showed him our universal candle and he brought out a Fed. There I caught him! I left him talk and he *convinced* me that their candle was larger in size than ours.

I admitted everything. When he finished I took both candles and told him to try to open one of the holes on the side of ours; then I took the Fed.

candle and opened 3 holes. I showed him the patches, which are only medical plaster with paint on top. This seemed to make some effect.

By the way, I have been asked quotations on 200 or more of the following (Col. please quote on 300 to 400 lots. I think Federal quoted 12.00 net):

Gas mask *canisters.*—Gov. publications. I think Maj. Springs has them.

T.R. 1120–3T. Page 8—figure 6.

Canister no. MIII and MIV.

They already have a quotation from Fed.

Quote everything calculating my 30 per. If necessary I will make here the deductions required.

Everything moves here horribly slow. The office hours are from 8 to 12:30 in the morning, and everything is—Come tomorrow; see So and so, etc.

This morning I'm supposed to see the big shot of the police. As a side line he is the biggest two-gun Crowley of them all. He is supposed to be the torpedo that manufactures all the corpses needed.

I hope he is impressed with our stuff. I am positive to get an order from the staff, but I also want one from the police.

I have been asked for credit. I told them that our maximum would be in large orders: 50% cash on New York and the other 50% on 30 days. Certified irrevocable letter of credit on same.

On small orders cash or c.o.d., f.o.b. any port in the U.S.A.

Please send by mail 2 .405 fountain pens 9. 9 shells loaded for same, and 2 .20 g.a. loaded gas shells for the baby giant.

Address, Capt. N. Vascones, c/o Teniene De Mestre, cuartel de San Ambrosio, Havana, Para Capt. Vascones.

Please mark the package thus: *Para uso del Estado Mayor del Ejercite.* No se de Le abrir. PELIGRO. This last word please mark it in large letters; it means *danger.*

So far I have met with so many delays that I'm sick of them, but, that is the habit of the country. They don't believe that anybody should be in a hurry. Still and all I am so sure of doing something that I am plugging to the best of my ability.

If I don't sell to the present government, I dare say I might sell to the opposition.

Personally I don't care, as long as they pay cash and we deliver in the U.S.

The longer I enjoy the warm breezes of Havana, I long for the cold winds of New York.

Sincerely,

W. VASCONES.

EXHIBIT No. 784

THE POSTMASTER GENERAL,
Washington, June 12, 1929.

MY DEAR MR. FITZGERALD: Your friend, Colonel Goss, came to see me today. I believe we can be of some assistance to him when we have completed our reorganization in the Department.

Sincerely yours,

WALTER F. BROWN.

HON. ROY C. FITZGERALD,
House of Representatives.

EXHIBIT No. 785

MANAGUA, NICARAGUA, *Sept. 9th, 1933.*

DEAR COLONEL: I was surprised to receive a copy of your quotation to Con. Sales & Export Co., 847 Broadway, on 1,000 lots of hand grenades, in view of one of your recent letters quoting me "net to LE." of $1.22—$1.45 and .26 additional for rifle grenades in lots of 5,000. I will therefore be guided by your quotation to Con. Sales & Ex. Co.

$$\begin{array}{r} 26 \\ \hline 1.71 \end{array}$$

I am shooting for a large order here, but they have difficulty in getting exchange and told me yesterday that European firms have offered to take coca, coffee, and other native products, but as "The Crowd" want their squeeze out of any business I have hopes of getting the exchange. However, in case of a showdown I'll make a contract "subject to approval of the factory" and arrange to buy coffee from the coming crop which starts in December, and arrange with either the Anglo-South American Bank or the Banco National to carry out the details.

Amongst other items they want rifle grenades but not the rod type. The marines had an attachment resembling a bottle that fastened on the end of the Springfield and the grenade was placed in the end of the bottle. It was discharged by a regular bullet cartridge and looks something like this.

Fuze Spring

2½″ 3½″

Plug

They claim that it has a range of 1.000 feet. As I have never seen this kind of a grenade before and also that they mentioned same to me in Salvador stating that it was an Italian grenade but now find that the Marines Corps Have them as a standard rifle grenade. They claimed Winchester quoted them $2.25 on these grenades in 1,000 lots, which proves that someone is making them and I suspect Federal. from the information I have been able to gather. In any event, I will take their order providing they show me the quotation they now have, as they look simple enough to manufacture and these fellows do not want to be bothered by having to take out bullet cartridges and load the rifle with a blank cartridge for shooting a rifle grenade, and that it has double the range of our rod grenade. Have Spring look into this and quote me airmail to Salvador. Major Spring promised in N.Y. to write me about the submachine guns and I again wrote you from Salvador. In Mr. Ailes' letter of Aug. 9th to Schlessinger he says that you cannot deliver these guns. Mr. Griffen stated that he had 100 barrels in stock and probably could deliver in *about* 90 days so I have offered for 120-day delivery, priced at $175 list. I have shot about 1,000 rounds with the sample I brought along and find practically no recoil but several defects, viz. when the gun is cocked and placed on safety, it sticks and if you force it off of safety it discharges the cartridge. Dangerous. On rapid fire it's o.k. but "single" fire works only *sometimes*. These C.A.'s have shot millions of rounds with Thompsons and handle them better than any Chicago gangster. Really, they are Thompson experts, but lately have taken to a Swiss automatic rifle, which shoots 35—7m/m cartridges from one magazine. If these countries had loose cash, I could make a cleaning down here for both of us and eventually will get it. I really spurn a $5,000 order because I am convinced they should spend five or ten times this amount in a single order and use every force available, but finally—take what they can finance without trouble. On the other hand, its the same old "manana" that gets my goat—so much silly delay on their part—and I lose a lot of time unnecessarily.

The heat, food, and lodging is terrible and any orders are really earned to stand the gaff. I am getting re-accustomed to the tropics with its "likes" and "dislikes." Have had a few parties for the V-P and having dinner with the P. Sunday. They are all anxious to help but their cash box is not in harmony with their intentions.

Please advise me to Salvador when you receive the 1st payment of $1,500 from Honduras, because Ed. left for the north coast before collecting from them but may have arranged direct remittance to you. I may stop over in
but may have arranged direct remittance to you. I may stop over in
Tegucigalpa on my way back to Salvador.

I will need a few long-rang smoke shells for Guatemala but will wire you how and when to send them. These countries are all under martial law or a state of seige and anyone not known could not get by with a sample kit. My samples have been officially confiscated by every custom house I passed and only thru personal friendship with the P's have I been able to unconfiscate them. Mexico may prove a joker and get me in jail.

Regards to all.

Sincerely,

F. V. Huber.

P.S.—All of the Presidents have bound me and I promised them not to sell to outsiders, and that we would require destination on all inquiries. Therefore before quoting to Con. Sales & Ex. you should have demanded destination, as all political pots are boiling in C.A.

F. V. H.

EXHIBIT No. 786

Cable Address
Telephone. Whithall 4–5923. Rebuh: New York

Manufacturers, Exclusive Export Managers & Distributors, Purchasing Agents

Codes Used
General
A, B, C, 5th Ed. Imp.
Bentley's
Lieber's

EXPORT CONSOLIDATED COMPANIES,
21 West Street, New York, January 23rd, 1933.

THE LAKE ERIE CHEMICAL COMPANY,
Cleveland, Ohio.
(Attention of Mr. Ailes.)

DEAR SIRS: Thanks for your letter of January 20th. My man in Jersey was to start out this morning, but I sent him a telegram to lay off. I will give him some territory in New York State.

If you would give me the exclusive for New York State and New England, I would make arrangements and have a man working each State on an exclusive basis out of this office, which, in turn, will force me to devote all my time to your line and allow me to concentrate all efforts toward making it pay. The fly in the ointment is the fact that you have been paying 25 to 30% commission and Federal pays 30%. I think that no salesman can make a real thing out of it under 20 to 25%, and this office should have 15%. I believe that it would not burden you to allow the same discounts to me for domestic business, as you allow me for export. I would also offer the salesman a bonus out of this under yearly business and, therefore, suggest that you advise me the business that has been produced in each State of New York and New England.

I appreciate the efforts already developed with the New York Police Department, and would handle this account personally on a 10% basis.

As soon as the above is definitely cleared up, I will get a man started in each State, and, in all probability, be able to come to Cleveland to acquaint myself with the Day Light Hold Up Systems, in order to do an intelligent job for you.

The decision of the appellate court places under the Sullivan Act all the tear gas portable weapons in which a cartridge can be discharged. This includes fountain pens, clubs, pistols, etc., while the grenades and candles are only a city ordinance.

I received the letter from Coleman, of Guayaquil, of which he sent you a copy. This referred to Loring, of Philadelphia. I did not communicate with Loring, but sent a cable and airmail to Coleman about the matter, refusing to mention Loring's name. I am writing Coleman by airmail; it was well that neither of us committed ourselves to Loring.

I also acknowledge receipt of the letter from Gumersindo Suarez, of Havana, who is the political fixer for the military crowd, and this military crowd recommended that we give him the agency for Cuba, which I am doing because, if there is any business in our line during Machado's administration, the military gang will give it to Suarez. I also acknowledge receipt of the letter from Mr. Czaplicki, in German, which I am having translated, and will send you a copy.

I also acknowledge receipt of the letters from Messrs. A. Freitas & Cameiro, Lisbon, Portugal, and have written them on this matter three times, advising them that Jose Lopez Zueras was our representative, and also wrote Zueras about it. In order to push this along, I am cabling Zueras today, because he has not replied to my previous reference to business in Portugal.

Very truly yours,

[S.] F. V. HUBER.

FVH/MJ.

EXHIBIT NO. 787

EXPORT CONSOLIDATED COMPANIES,
April 4, 1934.

THE LAKE ERIE CHEMICAL CO.,
Cleveland, Ohio.

DEAR COLONEL: Please write me a letter that will arrive here this Friday giving me a general outline of TNT loading plant and the quotation on same. Figuerola claims to have the order sewed up and wants a general outline sufficient to make a proposition to the government to put up a loading plant capable of loading not only the TNT but also the booster tubes and primer detonators. It will also be necessary to furnish a man to set up a plant and teach them how to do the work for a period of three months and you will please tell me what charge you would make for this service. It is not necessary to give Figuerola much of an idea of the equipment and machinery necessary but only sufficient to enable him to make an intelligent proposition to the government. He still refuses to admit the destination, but there is no doubt that it is for Peru.

From the conversation that I have had recently I am reasonably satisfied that the attitude of the Colombian Government and the Colombian consul toward us is due to the fact that they believe us to have intimate connections with the Peruvians. This is further substantiated by the fact that the chief of police in Colombia upon meeting Richardson said: "I understand you sold Peru a lot of stuff." On the other hand, your Colombian negotiations took place after Richardson returned from his trip. There is something definitely wrong with our relations with them, and I authorized Richardson to see Olano in Pensacola and find out what he can toward straightening out these relations and will also get Richardson back to Colombia as soon as possible, because there is going to be something doing p.d.q.

Escobar always has been and still is very cordial and friendly and says that he is always glad to cooperate with me, and this attitude precludes making a definite showdown issue until we find out exactly what is wrong.

Figuerola also has an inquiry for mine-laying equipment and munitions. Please advise me if the prices of July 20, 1932, on Livens projectors and munitions are O.K. and also give me whatever information you can on land and marine mines.

Curtiss-Wright have a request from Brazil for text books on smoke-screen apparatus and tactical use of smoke-screen equipment and asked us to get them this information or advise them where they can purchase these books.

I just received your letter of the 2d about your trip, and since Mr. Allard is out of town and his secretary states he has not made any reservation I will call him again Saturday morning. In the meantime I will see the Italian Line tomorrow and give you further information.

Your very truly,

F. V. HUBER.

FVH:RL

EXHIBIT NO. 788

MARCH 21, 1934.

THE LAKE ERIE CHEMICAL CO.,
Cleveland, Ohio.

(Attention Colonel Goss.)

DEAR COLONEL: Richardson returned and has the signed order here for the gas and 60 machine guns with 240 extra discs. We expect the credit for the machine guns any day this week.

The gas order is quite uncertain because when Richardson was ready to leave Havana a shipment of Federal tear gas arrived in port, although Colonel Batista, who is chief of the army and actual boss of Cuba, nor any of his agents or assistants knew that such an order had been placed. They signed Richardson's order on March 7th and are quite as upset as we are to find that someone in the War Department had placed an order without knowledge or consent of Batista and his aides. They are investigating the matter and as soon as they find out what they have received they will take up our order. The Federal order was placed before the present Government took office, during a time of commotion and disorganization, but now any material ordered must be approved by Batista as they are scared of everyone and have dissolved the national army, creating the new constitutional army composed of their friends. If the highest officials of the Cuban Government did not know that this order was placed there certainly was no way for us to have found it out, excepting that this fellow Moon in Miami was in correspondence with you during December and January, and I did not get this information from you until February 1st. The other fellow seems to have double-crossed Moon and made some deal with Federal.

Richardson believes that Young hired Capt. Albert Moore of the New York State police to go to Cuba for Federal account and he arrived there about the 1st of March. Young was in Cuba the second week in February and returned to Havana again last week. The Federal gas was shipped from New Orleans, which indicates a relation to some parts of Fleming's story.

As soon as I receive the information on your negotiations with Moon I will prepare Richardson for his trip and during his five weeks in Havana heard nothing of an order having been placed and it is ridiculous to believe that the heads of the Government would have given Richardson a signed order had they any idea that similar merchandise was already purchased. The Colonel told Richardson that there would be a thorough investigation of this affair to trace down their responsibility and both Richardson and I believe that we will profit in the long run from the present transaction. Richardson is preparing his trip to Mexico and will again stop at Cuba within the next week or so, provided the machine gun credit is opened immediately.

To complicate matters, the heads of the army do not know any Cuban officer by the name of Aguilar excepting one from Santiago and, as far as they know, he has not been out of the country recently. If we are able to prove anything that Young sold merchandise to the supposed to be "outs" of the Government we can naturally cook his goose immediately and are bending every effort to get some concrete facts. From my conversation with Mr. Ailes it is apparent that Capt. Moore will be bad medicine for our interests in Cuba. However, Richardson does not believe that Moore was hired by the Cuban Government but is working for the account of Federal. We will now bend every effort towards getting the credit opened on the machine guns and after this is accomplished see what can be done on the credit for the gas order. If the machine guns are satisfactory we can obtain additional orders. Sergeant Butts made the machine gun test in the presence of Mr. Ailes, Inspector Dittman, myself, and others, and seemed to be very much pleased with the improvements made and confined no objection to the present model. He stated that he was going to test another make of gun this week for parties who were interested in purchasing 10 to 20 and offered to shoot our gun in competition, to which I readily consented, and told him that our price would be about 150 when we got into quantity production on them. Sergeant Butts stated that he would not take the gun to a competitive test unless he was well pleased, inferring that he liked the gun very much.

Capt. Hubert B. Brandlet, of the Chemical Warfare Service, from the 45 Broadway office, said he had an inquiry from the War Department to ascertain who the U.S. Ordnance Engineers were. I told him that it was a company organized in Ohio as an export selling organization for products manufactured by the Lake Erie Chemical Co., but was completely separate company. Peculiar things have been happening recently, which point very strongly that the Department of Justice is checking up on us and I assume are doing the same to Federal, so we better watch our step.

Very truly yours,

F. V. Huber.

FVH : RL.

Exhibit No. 789

China Supply Corporation,
Hong Kong, May 6, 1933.

Lake Erie Chemical Co.,
Cleveland, Ohio.
(Attention Col. Goss.)

Dear Sirs: The Corporation Securities Underwriters, etc., closed their doors last December, and I fled from the harrowing scene months before.

Arriving here a month ago, and finding there is plenty of market, in addition to a splendid means of access to the Canton powers, I intended writing you to send any news, or prices changed, to me here.

I have sent to Shanghai to have them forward my catalogs, and as no Huchow is required into this port, and it is not a part of China, you need have no hesitancy in letting me have anything we open credit for. Hong Kong is a British open port, and we get the material into Canton without giving Pres. Roosevelt any more worries.

T. V. Soong, who represented China at Washington, or is now so doing, is the lad that paid us $5,700 for some police equipment that we got from Federal. Federal, furthermore, sent their own representative out to take up our work, which they tried so heartily to spoil from homeside.

This company is the supply division of the China Oil Refineries, owned and operated, and having a monopoly, on the oil business in this region. The directors are the organizers and financiers of the 19th Route Army, the National Salvation Army of China. We have the best kind of access to sell any kind of material you can export.

Kindly give this your attention, and see if we can't really get some orders en route. I will open credit through the Wells Fargo Union Trust or Bank of America (first is better) and they will notify you what we require. Our references are those two, in San Francisco, and the Bank of China, and National Commercial and Savings Bank of Hong Kong.

Very truly yours,

W. K. Smith (signature).

Exhibit No. 790

The Lake Erie Chemical Company.
May 2, 1933.

Intercontinent Aviation, Inc.,
29 W. 57th St., New York, N.Y.
(Att: Cap. G. C. Westervelt, President.)

Gentlemen: You are hereby appointed authorized representative of the Lake Erie Chem. Co. in China with the understanding that your Shanghai and Hong Kong offices will push the sale of all of our products in that territory.

We will notify George Hung & Co. and Security Underwriters that we are withdrawing quotations to them, together with the authority to sell our products.

It is understood, however, that aircraft companies or other companies within the United States shall have the right to purchase our products, accepting delivery within the United States, for resale and reshipment wherever they may desire.

It is further understood that you will not be given credit for orders which the Nanking Govt. may place directly with us. It is understood that these orders are placed with us through the Wah Chang Trading Corp. who handle the shipping and payments for the Chinese Government.

There is already a five-percent price differential in favor of the aircraft companies. On account, however, of the increase in cost of raw materials, we shall be obliged to notify the Nanking Govt. within the next few days of a five-percent increase in the net cost to them of all of our products. It is quite possible that additional increases may have to be made if the present inflation move continues.

On any inquiries coming from China, other than those directly from the Nanking Govt., we will quote prices to be mutually agreed upon between you and ourselves. We believe it advisable, however, that you notify us of specific negotiations so that we may cooperate to the fullest extent possible.

It is requested that you notify your Shanghai and Hong Kong offices that they must be careful not to state that they have our exclusive agency, as this might cause trouble in regard to our present contracts.

The terms and conditions of payment and shipment shall be subject to the mutual agreement of both parties. In general, however, our terms on all export shipments are sight draft attached to railroad bills of lading, in addition to which, an irrevocable letter of credit must be established with an acceptable bank in the United States on placing the order. This, of course, would not apply if your company is placing the order and paying for same directly, but does apply if shipment and payment are to be made for and by a foreign govt.

This agreement shall be subject to cancellation by either party on ninety days written notice.

It is understood that, while this agreement is in effect, you will not sell bombs, smoke-screen equipment, or other products of any competing company.

THE LAKE ERIE CHEMICAL CO.,
B. C. GOSS, *President.*

EXHIBIT NO. 791

JANUARY 13, 1933.

MR. K. C. LI,
President Wah Chang Trading Corp.,
Woolworth Building, 233 Broadway, New York, N.Y.

DEAR MR. LI: Your letter of yesterday in regard to the gas masks reminds me of something which I meant to tell you when I last saw you, but I forgot to do so.

I know where there are or were something like 30,000 war helmets which can be bought for around 15¢ each. I notice in the most recent pictures of the fighting the Japanese are equipped with steel helmets, while the Chinese forces do not have this protection, and it is my recollection that some of these were sent as a present to the Nineteenth Route Army which, however, is not taking part in the present trouble. I would think that it would be advisable to get these helmets, whether they are purchased by individuals or by the Government and would suggest that you ask General Wu whether they want them.

I also know where there are approximately 100,000 new Enfield rifles which I understand have never been fired, which can be purchased very cheaply. You might also make inquiry as to whether they are interested in these, in which case I will get a price and, if possible, a sample.

Best regards,

THE LAKE ERIE CHEMICAL COMPANY,
B. C. GOSS, *President.*

EXHIBIT NO. 792

MAY 10, 1934.

DEAR COLONEL GOSS: I know you will be glad to hear that the Cubans got into a jam with Federal gas. The rioting students threw their bombs back at the riot squads and they finally had to resort to bullets.

The same newspaper, giving account of this, tells of the death of one of the students and the coroner laid the death to gas. Possibly this fellow had a poor heart and got too much DM. In any event, the newspaper states that the students became seriously ill soon after being gassed and had difficulty in breathing.

Mr. Huber writes that both Young and Moore have left Cuba. Mr. Huber also states they had the letter of credit on the machine guns and are going to get it confirmed today.

Everything is going nicely.

Very truly yours,

A. S. AILES.

EXHIBIT NO. 793

SEPTEMBER 18TH, 1933.

BARR SHIPPING CORPORATION,
25 Beaver Street, New York, N.Y.
(Att: Mr. Robert Barr)

GENTLEMEN: You have been previously advised concerning an order for Klein & Company of Santiago, Chile, and we are pleased to advise that shipment went forward by prepaid express today direct to your New York office. The shipping list enclosed shows that there were eleven boxes, numbered consecutively from one to eleven (1 to 11) and, of course, the contents are as described on the list.

Five copies of the invoice are also enclosed which, of course, describe exactly the material shipped.

We believe that you have had instructions from our New York office to the effect that shipping papers are to be made out as "Various Merchandise", and tear gas, in no way mentioned unless absolutely necessary to meet shipping regulations. If possible, may we suggest that you describe all items as "Chemicals."

The boxes are stenciled for "Klein & Company, Ltda., Santiago, Chile", but you should remove the tear gas labels which appear on the shipment before reshipping. Transportation charges are to be prepaid to the Port of Valparaiso and you may submit your bill to us for all such charges.

We presume that a consular invoice is required, but wish that you would get in touch with Mr. Huber at our New York office regarding such a charge, as it is our understanding that it will be only nominal and not the usual 5 percent of the total value.

Mr. Huber's office has an irrevocable letter of credit at the Guarantee Trust Company of New York City in sufficient amount to cover our invoice and will take care of the collection as soon as ocean papers are completed.

Provision is made for marine insurance which will be part of your expense for which we will reimburse you.

We hope that you can dispatch this order on one of the Grace Line boats sailing Saturday, September 23d, and hope that you have sufficient information, but, if any questions arise, we feel sure that Mr. Huber can straighten them out.

Very truly yours,

THE LAKE ERIE CHEMICAL COMPANY,
GEO. W. PAY, *Asst. Treas.*

gwp–bls
hah–cl

EXHIBIT NO. 794

SANTIAGO, *5th August 1933.*

THE LAKE ERIE CHEMICAL COMPANY,
21 West Street, New York City.

(Attention: Mr. F. V. Huber, exports.)

DEAR SIR: Referring again to my air-mail letter of the 29th of July in which I gave you details regarding the opening of the letter of credit for the Guardia Republicana order. I was not able to give you definite instructions in the last air mail, and as this organization finally took this out on a regular mail basis, instead of the cable rate as anticipated, I have had time to write you regarding the final shipping instructions by air mail instead of the cable.

Inasmuch as I have had to cable Mr. Richardson today, I took the opportunity of stating in the cable that the letter of credit was opened, and to hold same for my air-mail letter of the fifth, which is the present letter.

The firm to whom the order is to be shipped is as follows:

Klein & Company, Ltda., Santiago, Chile.

The amount of the letter of credit is US $2,000—and they have given me authority to increase the quantities in any manner to use up the full amount of the credit. Do not ship in excess of the amount however, as it will be hard to collect.

The cause of the delay was due to the fact that they opened this credit with instructions to the Guarantee Trust Co. to pay you against delivery of documents for drugs and "specifics", I immediately notified them that this would not go thru, and that there was danger in having the order held up. The Bandode Chile thru whom the credit comes would not make any change unless authorized by the Banco Central, and they finally secured consent to allow payment to you against delivery of shipping documents for "merchandise and various", which is general. Your products come under head of various, if you cannot classify them as merchandise.

Klein & Co., Ltda., are druggist in Chile and I would suggest you make out your declarations under classifications "chemicals" as much as possible without giving too much of explanation of what chemicals they are. You know just how far you may go, and I give you this information so as to help them here on this end in order to get them into the country.

The credit has been opened for a period of ninety days, which should give you sixty days for shipment after receipt of the Guarantee Trust's notification.

My understanding is that you are to be paid in New York against presentation of the shipping documents.

Hoping everything has been made clear, and shipment made soon, I beg to remain,

Very truly yours,

This letter today from Lake Erie agent in Chile. Letter of credit not yet arrived.

H. HUBER.

EXHIBIT NO. 795

EXPORT CONSOLIDATED COMPANIES,
November 22, 1933.

LAKE ERIE CHEMICAL CO.,
Cleveland, Ohio

DEAR COLONEL: I have been busy getting an apartment and have the family settled, which is now completed, and I am getting all the loose threads together.

I saw Richardson, but we did not discuss anything until I have time to do so, however, I am under the impression that a satisfactory arrangement can be made to mutual advantage. However, I want you to be frank with me and send me copies of any correspondence that you have had with Richardson, and also what was the trend of your conversations. Please do this at once by return mail.

I am giving Barr shipping instructions to take off any marks that may show signs of war materials on the shipment to Honduras. This will clear New York on Dec. 1st. There was no object to ship this material by express and you should give instructions to Mr. Pay to ship this by freight in the future, unless we give urgent instructions to ship by express. If the other is advertised the president will not go through with what we have planned on the future, as no one knows that this order has been placed and we should forget about it.

Regarding collection of the bill it will be necessary to send the documents to my brother Ed for delivery to the government against payment. They cannot be sent to the Banco Atlantida because the employees will tell someone about it. Please advise Barr to send them to Edwin E. Huber % Huber Honduras Co., Tegucigalpa.

The $28.41 exchange between the 3,000 lemperas and dollars should be added to this draft and invoices with proper explanation, or total of $2,569.41.

I am trying to arrange an assignable letter of credit for the Nicaraguan order so that this shipment, the explosive part, can go on the same boat with the Honduras order, thru California. I will have this arranged by the 28th or 29th. If nothing unforeseen comes up to delay it. In this way we will be able to discount the bill and get all of our cash against delivery of the documents.

I left Salvador with an order made up and approved, which should be here most any time. Guatemala will also send me an order, which they promised to make up "next week" but in view of your anxiety for me to return I let it go because they were having a week of fiesta celebrating the birthday of the president, and I figured that it would take them an additional week to get over it, and further delays would have kept me down there at least two or three weeks more. However, anyone else would never get a smell of an order under the circumstances. I expected to close some large ones but will get them eventually, as all of the ground work is done.

I have an order for four machine guns, and called Mr. Griffin to learn if they have any made up, and he says they have about seven complete. He says you are evidently not very much interested and that he wants to get going on this if at all, but if you are not interested let him know. I left the sample gun down there after I had demonstrated it to all the governments, and they will buy this one in addition to the four but at a special price. Please let me know so that we can ship one every 15 days as per instructions received.

Altho the immediate results of my trip were not what I expected, because it cost me all over $3,000.00, but I know why and where and how the business is coming and therefore not discouraged.

Trusting that you all have enjoyed good health, including Mrs. Goss and the children especially, and that Never Rich Again (N.R.A.) has not done you any harm.

Very cordially yours,

FERD HUBER.

EXHIBIT NO. 796

JULY 3rd, 1934.

MR. F. V. HUBER,
21 West Street, New York, N.Y.

DEAR FERD: In reply to your letter of the second in regard to packing lists for detonators on 600-lb. bombs, wish to advise that we have notified the Atlas people to make up this list and forward it to you, as this was, no doubt, an oversight on their part.

As far as actual shipment is concerned, the detonators will go forward when the bombs move from Reynolds, as we have our permit covering both items.

On the basis of material moving on the boat July 17th our permit has been issued for movement July 12th or 13th. Please let us know by Monday, July 9th, if there has been any change in these plans, as I expect to notify Reynolds to load the material and have ready for shipment on July 10th.

We have had no word from you in regard to receiving the check covering the material from Honduras.

We have made formal application for shipment of the fragmentation bombs to the State Department, and since you were handling the shells, I would suggest that you make formal application covering shipment of shells in the name of the Export Consolidated Companies, but in no case showing U.S.

We are enclosing an application blank for you to fill out and forward to the State Department. You can mail this application to the State Department, Division of Latin American Affairs' attention.

I have word from the Moore-Eastwood Company that the El bomb hoists will be ready for inspection on July 10th at Dayton, Ohio. Please let me know by return mail whether or not we should notify Mr. Steese that these will be ready for inspection at this time and make arrangements for going to Dayton with him to inspect these hoists.

Very truly yours,

H. A. GRUNDLER.

HAG: W.

EXHIBIT NO. 797

[Copy]

S/S "SANTA MARIA",
Between Valparaiso and Callao, May 31, 1933.

DEAR HUBER: In further confirmation of my letter of the 26th from Santiago, I enclose herewith copy of the original order from the Estado Mayor of the Milicia Republicana of Chile. I am keeping the original as it may be of use to me sales to other countries.

This organization has an estimated strength of some 20 or more thousand members and there were over 14 M in their first parade which took place in Santiago the first Sunday after I arrived there. They are the hope of Chile as they are made up of the very best brains in the country—people who are tired of seeing themselves and the country exploited by a lot of politicians and they are dead against communism. In fact, they are going to use these bombs on the first communist manifestation that they have the opportunity to meet with. They are thoroughly sold on the gas as a means of fighting their situation.

I gave them a demonstration in their head cuartel, which is strictly military in its character and organization. They are prepared to resist a siege if necessary. They have local chapters all over the country and are growing right along. They are supporting constitutional government and are with Alessandri Ordnance Engineers, Inc., as the shippers.
and he is with them so that they can get the exchange for their needs. They expect to place another very large order soon. They will have to have a lot of guns and pistols with which to use this material.

They are entitled to the regular discount on quantities, which I understand to mean that they will get 10% on item #1, 5% on items two, four, five, and six, but nothing on item no. 3. If I am wrong in this, please correct it as they expect only the regular quantity discount and understand that it does not apply the total amount ordered—only on each item as its particular quantity indicates.

I arranged with John Light to continue to work the business and I believe that he is going to get a good business worked up. He is going to try to get permission to import the fountain pens and other articles of that nature and should be able to sell thousands of them to the individual members of the milicia. Do not let anyone else interfere in this Chilean business as the matter is well lined up as I saw for myself. My permit was from the minister of defense who now combines all the ministeriors (war, navy, and aviation). I talked to his secretary and showed him the material—also showed it to the chief of purchase of the Army (who incidentally is not with them at heart, as are many of the Army). I gave a demonstration at the Dept. of investigations—on about 120 prisoners. It was a great success. The intermediary through whom Light is working could not be better and he is getting 10% so he will work his head off.

If the freight and shipping charges are not more than 5% of list then Light should pay the entire amount—that is deduct it from his commission of 25% and he pays all local commissions, leaving to us list less 25% as our basis of prices. If the freight is over 5%, then deduct it from commission of 25 and 10% and send Light half of what is left. If credit is not confirmed promptly, advise Light to that effect, although I have no fear of nonpayment, as they need it too badly.

Sincerely,

D. B. Richardson.

Exhibit No. 798

Export Consolidated Companies,
February 9th, 1933.

The Lake Erie Chemical Company,
Cleveland, Ohio.
(Att. of Colonel Goss.)

Dear Sirs: Once upon a time you told me that you had given our representation to Mr. Luis Nicolas, of Santo Domingo, but we do not have a copy of your agreement with him. We have been advised that there is a gentlemen here, from Santo Domingo, with power to place an order and we have an appointment to meet this man next Monday. Please advise immediately what is your set up with Mr. Nicolas, and whether or not we can quote for that territory.

Regarding John A. Light, of Santiago, Chile, I do not have any copy of your original agreement with him. During October–November he was working very actively on an order, and following your suggestions, we extended his arrangement to April 1st.

On December 17th, we cabled and wrote him in answer to his inquiry and sent him a copy of your consolidated statement, however, have not had any further word from Mr. Light.

Mr. Grez, a brother-in-law of the President of Chile, is very anxious to take on our representation, and I have about decided to give him an option to obtain some business for us after April 1st, in the event that Mr. Light does not show some signs of life.

Mr. Richardson will be in Santiago, Chile, about April the 12th, and will then advise us how the situation lines up, as we have informed Mr. Richardson of our operations up to the present time.

Mr. Zueras reports that he has made arrangements with Freitas Gameiro, to act as his subagents in Portugal, and will supply them samples from his stock in Barcelona. He did not take any action until I cabled him.

Last week I asked you if you were willing to make any special price on a quantity of 7,200 to the United Aircraft on 1-inch signal flares. Please advise definitely if you allow 20% discount on 1,000 lots of this and other ammunition not specifically specified on the face of your price list of October 1st.

Very truly yours,

F. V. Huber.

Exhibit No. 799

[Carbon copy]

April 19, 1933.

Mr. B. C. Goss,
President the Lake Erie Chemical Company,
5806 Hough Avenue, Cleveland, Ohio.

Dear Mr. Goss: Referring to meeting held in Youngstown, Ohio, on March 27th, relative to the matter of sizes and prices of grenades and candles and price of billy, we hereby submit the following schedule, effective May 10th, 1933.

We believe it best to designate the size of the grenades or candles in the terms of the lachrymator contents. We understand that we are both using "CN", but any substitute for "CN" would come under the same classification:

1. Pocket-size grenade, contents 17 grams CN, price $5.00 each.
2. Standard-size grenade, contents 26 grams CN, price $8.00 each.
3. Jumbo-size grenade, contents 85 grams CN, price $10.00 each. (The jumbo size is considered in the same classification as your candle.)

A plus-or-minus tolerance of 10% for loading with CN is allowed in these specifications. Any further variance from these standards should be submitted to us for classification and price.

4. Billies, without cartridges, minimum price, $20.00 each.

The grenade prices listed above are subject to discount of 5% when ordered in lots of 24, discount of 10% when ordered in quantities of 100 or over, and a discount of 20% when ordered in quantities of 1,000 or over.

The price of the billies is subject to discount of 5% when ordered in lots of 12 and a discount of 10% when ordered in lots of 100 or over.

In the future we will give ten (10) days' notice on any change in price or size.

Very sincerely yours,

Federal Laboratories, Inc.,
——— ———, *President.*

JWY:GO

Exhibit No. 800

[Carbon copy]

The Lake Erie Chemical Company,
5806 Hough Avenue, Cleveland, Ohio,
February 14th, 1931.

Mr. John W. Young,
President, Federal Laboratories, Inc., Pittsburgh, Penna.

Dear Sir: In answer to your letter of February 11th, which has been somewhat delayed by my illness, my position is as follows:

With regard to the question of candles vs. grenades, one glance at your literature, price list, and labels would be sufficient to convince anyone that there was no distinction in your own mind.

At the time our contract was made, the Army had, as I recall it several devices which were known as "candles"; one was the tear-gas candle, another the smoke candle, and another the DM candle. All of these were ignited by rubbing a stick coated with red phosphorus over a matchhead which started the contents burning. Hence, the name "candle."

At the same time, they had several gas devices called by the name of "grenades", all of which were fitted with a percussion cap firing mechanism and were started automatically by throwing same. We, at this time, were making a smoke candle and a tear-gas candle and were making them in the same way, as above described for the Army, namely a matchhead to be rubbed with a red phosphorus stick, igniting it, while it was lying on the ground. They were of light construction and not intended for throwing.

You will probably also recall that, when Mr. Conkling developed his fast-burning grenade with the rows of openings down the side (which you so successfully copied or imitated immediately after we put same on the market) the name "candle" was retained by the Army merely as a means of distinguishing it from the small grenade having a similar filling; although the new one was intended for throwing, and, therefore, obviously a grenade.

In other words, my position is that, regardless of the labeling which is for the convenience of customers and regardless of size, a device intended and suitable for throwing and automatically fired in this way, is a grenade and we have the right to sell same down to a lower limit of $8.00 (less quantity discounts) to non-Government agencies or $5.50 to Government agencies. This position, obviously, has been confirmed by our patent attorneys. Whether or not we ever actually do this will be a question of agreement and not one of legal right.

You successfully double-crossed us twice on this Washington police business; the first time, by quoting $5.50, while we quoted $8.00 in accordance with our contract with you, you claiming to have misunderstood the contract. The next time a chance to bid came, although you had, on the previous occasion, advised that you fully understood the contract and would abide by it in the future, we again quoted $8.00. You waited until the last minute before the bids were to be opened, being certain that our bid would already be in, as it was, and again changed your bid to $5.50 so that once more you got the order.

By 'phoning us late in the afternoon of January 31st in regard to prices on a bid that was to be opened a long distance hence on February 1st, you once more tried to work the same game.

In regard to the billies, the statement made in your letter of February 11th as to the reason why you never advised us regarding the price, you know this is absolutely untrue. The real reason was that you knew and know now that the patent on your billy is invalid and that we consented to the license arrangement purely for the purpose of mutual protection of yourself and ourselves against bootleggers, in evidence of which we have your agreement that no actual royalty is to be paid nor are your patent numbers to be marked on our billies. It was never intended that you would have anything to do with the price of our billy.

In view of the attitude which you have taken in your letter of February 11th, we now request that the license covering the billy be removed from the rest of our contract and covered by a special agreement, if any. At the same time, if we can legally incorporate in such agreement a minimum price for the larger grenades which will prevent price-cutting on both sides, we are willing to do so. This would be based, of course, on some agreement regarding labeling and contents, as well as size of container, as you are placing a grenade label on a container exactly the size which we label a candle.

These matters, as well as those which you discussed with Mr. Ailes in Cleveland last week, may be discussed and an agreement reached at Youngstown in the near future.

I am compelled, however, to say that every agreement you have ever made with me, you have violated almost before the ink was dry on your signature, and I have your instructions to representatives over your own signature, directing them to use misrepresentation which you have specifically agreed not to use.

I am attaching herewith another of many examples which I have of just such tactics on the part of your representatives which occurred this very month at the Savings Deposit Bank of Medina, Ohio, and to which the directors of said bank will testify. Our attorneys tell us that this is sufficient grounds for a libel or damage suit, as well as one for breach of contract.

There is absolutely nothing to be gained of your writing back that your representative did not say these things, because very obviously the directors of the bank would not have known enough to say them if they had not originated with you. You will hear further from us in this connection.

Very truly yours,

THE LAKE ERIE CHEMICAL COMPANY,
(Signed) B. C. GOSS, *President.*

(There was no Exhibit marked "No. 801.")

Exhibit No. 802

(This letter is a copy sent to F. L.)

B. C. Goss, *President.*

The Lake Erie Chemical Company,
Cleveland, Ohio, April 19th, 1932.

General Supply Committee,
Treasury Department, Building "F",
Seventh St. & Constitution Ave., Washington, D.C.
(Att.: Mr. LeFevre.)

Gentlemen: In accordance with our conversation of recent date, we wish to register a protest on the recent award to Federal Laboratories, Pittsburgh, on gas guns, 1½″ bore, gas billies, and tear bombs on the ground that there was no competition and that this company was not given the opportunity of bidding on this equipment, and on the further grounds that the prices at which awards were made were, in some cases, unreasonable.

We further contend that the fact that your office did not know that there was any competition possible in the form of the Lake Erie Chemical Company is not justified for the following reasons:

1. Lake Erie gas has been regularly used by the Capitol police in Washington with excellent results.
2. Inquiry from any one of the three biggest and best-known police departments in the United States, namely, New York, Chicago, and the Pennsylvania State police, would have disclosed the fact that they use Lake Erie gas exclusively.
3. Reference to the Municipal Index, a recognized catalog of police equipment, would have shown our products.
4. Our gas shells are the only shells which have ever been approved by the Underwriters' Laboratories, which is a recognized testing medium representing all of the standard insurance companies of the United States.
5. Inquiry from the Chemical Warfare Service, which is the Government bureau responsible for all tear gas and related activities, would have immediately put you in touch with this company.

The Lake Erie Chemical Co. can supply a far more complete line of tear gas and similar equipment than any other company in the world, so far as we know, having far more items and being more than willing to conduct a competitive demonstration at any time in support of this belief. We can also supply you equivalent items to those included in the award to Federal at what, we believe, are more attractive prices; specifically, we will supply—

Webley & Scott 1½″ bore guns, like those purchased by the District police from Federal, at	$40.00 ea.
All-metal 1½″ short-range gas shells for above, per dozen	50.00
All-metal long-range gas shells 1½″, per doz	84.00
Note.—Both of the above-mentioned shells are interchangeable between Lake Erie and Federal (Webley & Scott) guns, the short-range all-metal shells corresponding to the old paper shells supplied by Federal and which frequently stick in the barrel.	
Gas billies, each	17.00
Tear bombs, per dozen	48.00

We request that the award in question be thrown out, on the grounds of error, and that we be permitted to bid on these and other items.

Respectfully,

Lake Erie Chemical Company.
(Signed) B. C. Goss,
Ex-Lieut.-Colonel, Chemical Warfare Service.

EXHIBIT No. 803

[Excerpt]

CORREO AEREO, *March 11th, 1933.*

MR. EDWIN HUBER,
% Messrs. Huber Honduras Company,
Tegucigalpa, Honduras.

DEAR ED: When talking to Maloney or anybody else about the munitions, convince them that there is no necessity for sample bomb of Lake Erie, as we will supply them according to Government specifications. Browning machine guns are only manufactured by Colt, who are hard boiled as hell and very independent. You have the information in your files on Colt-Brownings. It will be difficult to get any Remington 7 M/M, excepting from Remington themselves, and personally, I prefer not to have anything to do with this gang. My ex-partner Frank Jonas, Elmsley brother, is now with Remington and more crooked than the rest of them. The best proposition for Honduras is the Model 98 Spanish mauser which we can get for $14.50, and I sold 100,000 to Brazil. Galef, on Chambers Street, has 1500 Winchester cal. 44 rifles and about 8,000 carabines, which would be the next best thing for Honduras. These are new, as Galef bought Winchester's entire stock, and if you order them from Winchester they will get them back from Galef. He offered me the rifle or carabino at $14.50, but I can get them for $14, or probably a little less. There is nothing in the way of 7 M/M in this country, and would have to be specially manufactured, while we can get them Europe for about a 60-day delivery over there.

F. V. HUBER.

EXHIBIT No. 804

MARCH 19TH, 1934.

MR. W. K. SMITH,
Hotel Embassey,
Bubbingwell & Carter Roads, Shanghai, China.

DEAR MR. SMITH: Receipt is acknowledged of your letter of February 12th, copy of which I am forwarding to Mr. A. F. Spring, who is vice president of our company, and who is now in Shanghai. You can address him care of The National City Bank in Shanghai. We have also written him to get in touch with you before he comes back.

I am very anxious to make a connection with you and our cards are all on the table. Several months ago Intercontinent Aviation, Inc., obtained an order for one thousand 110-lb. demolition aerial bombs. They also claimed to have been double-crossed by Federal Laboratories and, therefore, did not want to do business with them and offered us an order, but on the condition that we appoint them our representatives, which we did, and the above bombs were delivered in Canton several months ago.

Intercontinent Aviation is a subsidiary of Curtiss-Wright, etc., and a very fine company, and their president, Mr. Pawley, is now in China. I do not know whether they intend or will have time to push the sale of our police equipment, etc., but, before answering your letter regarding the sample order which you wish to place, I feel that I should discuss this matter with Intercontinent, which I will do in New York next week.

I suggest that you write me by return mail, giving a list of the items and quantities which you wish to obtain on a sample order and just what you mean by "the same understanding we had before." I am suggesting this to avoid any possible misunderstanding in regard to what commitment would be made in your mind by shipping these samples. On receipt of your letter, I will cable you, as, before I receive your letter, I will have talked to Intercontinent and you may also have seen Major Spring.

I am enclosing herewith another copy of our Military Catalog, copy of which was originally sent you at 16 Queen's Road, Central, Hong Kong, China, but which you apparently did not receive.

Best regards,

U.S. ORDNANCE ENGINEERS, INC.,
B. C. GOSS, *President.*

bcg-bls.
encl.

EXHIBIT No. 805

[Air mail]

OCTOBER 11TH, 1932.

Mr. ALBERTO HOYOS A.
P.O. Box # 76, Manizales, Colombia, South America.

DEAR MR. HOYOS: With further reference to the order for airplane bombs which, the Colombian consul, Mr. Olano, gave to Federal Laboratories, I have obtained some additional information and wish that you would check up on it at your end, as I am inclined to think there is a "nigger in the woodpile."

Our quotation on 200 25-lb. loaded demolition bombs, 100 25-lb. loaded incendiary bombs and 50 50-lb. loaded demolition bombs, delivered on board steamship, was $10,800.00. Mr. Olano told me that Federal's bid was more than $1,000.000 under ours and had previously told me that the contract would be awarded solely on the basis of price to the lowest bidder.

I have since been advised, on good authority, that Mr. Olano actually paid Federal more than our price and, in fact, Mr. Young, president of Federal Laboratories, definitely made that statement to a man who repeated it to me. If this were true, it could only mean one thing, and I, therefore, wish you would find out what price the Colombian Government actually paid Federal Laboratories for the above bombs.

As previously stated to you, Federal furnished them a very inferior product with a fuze booster, and adapter assembly that is not in accordance with U. S Army specifications and is not considered safe for shipment, and of a construction which the Bureau of Explosives of the Interstate Commerce Commission of the United States refuses to let Federal ship by freight. Moreover, the shipment of bombs assembled as Federal makes them is a violation of marine insurance laws and would not be permitted to be loaded on any boat if the inspectors knew about it.

Very truly yours,

THE LAKE ERIE CHEMICAL COMPANY,
B. C. GOSS, *President.*

bcg-bls

("Exhibit No. 806" appears in text on p. 2003.)

EXHIBIT No. 807

DECEMBER 8TH, 1933.

Mr. J. W. YOUNG,
Federal Laboratories, Inc.,
Pittsburgh, Pa.

MY DEAR JOHN: My understanding was that you were going to call somebody down at the Department of Justice and have permission granted for us to amend our bid offering 2% discount, the same as you and I further understood that you were going to notify me if you secured such permission.

That seems to be a more simple procedure than having the bureau throw out the bids and readvertise. I do not see where the payment to us of the 50¢ royalty would cure the situation.

We are primarily interested in getting an even chance with the Federal Laboratories at Government business, not so much for the business itself, but to offset the advertising your agents are doing all over the country that the U.S. Government uses Federal Laboratory weapons and munitions exclusively.

The error having been made by the Federal Laboratories in direct variance with the written understanding, it looks to us like it is up to you to secure this permission for us to amend our bid.

Yours truly,

LAKE ERIE CHEMICAL CO.
A. S. AILES.

EXHIBIT No. 808

[Internal letter. Special delivery]

THE LAKE ERIE CHEMICAL COMPANY,
New York, N.Y., December 29, 1933.

From: F. V. Huber.
To: Colonel Goss.

DEAR COLONEL: I received your special delivery enclosing copy of letter from Froletz and Mayrink Veiga. In studying Froletz's letter of December 22nd, I recognized Mr. Tobin's quotation as that of Miranda who has the Elevator Supply Co. build his bombs (Driggs) and these prices evidently include 10% commission for Tobin. You will note that these bombs are 15, 50, and 100 kilo bombs, which is the way that Miranda quotes in order to meet European quotations which are all in kilos instead of pounds. As far as stating that the prices are f.o.b. U.S. port, the above quotation could not be anyone else's.

Shannon has been absent from the office on account of sickness and will not be back until Tuesday. Webster just came back from South America and does not know the details of how Shannon is handling this proposition. Carrington told me that he got our quotations and also a quotation from Federal, but only passed our quotation on to Shannon. Carrington is more or less purchasing agent but it may be possible that Shannon had a quotation from Miranda, of which Carrington knows nothing.

As the Intercontinent are allied with Faucett Aviation in Peru I dropped into see them and talked to Mr. Sanderson and Mr. Zimmerman to get what information I could, but due to the fact that you did not send me copies of your quotation to them on either Peru or China I could only talk of generalities. They told me, however, that another firm in New York made them lower quotations and I simply assured them that we would give them the best product at the lowest price possible. It was strange to me that they stated that there were no inquiries pending from South America for bombs and had not received any inquiry from Peru. I let the matter drop at this point as I might be mistaken, but I remember that you said Intercontinent was also quoting in Peru. Therefore, please send me copies of all quotations pending so that I will know what it is all about and on further quotations send them to me with an extra copy for our files.

It seems to me that Tobin is simply quoting the lowest price he has without respect of who is the manufacturer and although he had a quotation from Curtiss-Wright on our stuff he is not using it. Had Shannon been in the office today I had intended, if possible, to compromise him to give us the order if they got it, or as a last recourse to give us the order at the best quotation they had received from other sources. This would be quite possible as Shannon would probably not want to commit himself until he was ready to place the business. If you want to do anything in the meantime we might authorize Froletz to meet the prices quoted by Tobin provided they are American manufactured bombs, and still pay Froletz a commission.

As far as my commission is concerned on this quotation, I will leave the matter entirely to your fairness to pay me as much as possible if the business is consummated. You may, however, rest assured that if we cut prices below Tobin's quotation Miranda will continue to cut and I would not recommend price cutting as there would be no bottom to this. Since Froletz was one of the men on the list of prospective agents that I gave to Richardson, this matter should be handled from here. Richardson says that Froletz is O.K. with the higher-ups in the government and that Tobin is intimate with the aviation officials.

I will see Shannon Tuesday morning and bring to a show-down his relations with Tobin, but there is one fly in the ointment, which is our verbal agreement that to the aircraft companies these prices are 5% lower than to the agents.

Yours very truly,

F. V. HUBER.

FVH: RL.

Miranda has the U.S. Army specifications. Told me a few weeks ago that he got them from Washington. You should be able to compete with Elevator Supply & Trojan Powder.

Curtiss-Wright have a 1,100-pound bomb loaned from the Army in Buffalo and trying to get permission to send it to St. Louis.

Exhibit No. 809

(Personal)

21 West St.,
New York City, July 13th, 1933.

Mr. Lynn W. Franklin,
c/o American Consulate, Amoy, China.

Dear Lynn: I thought that I had answered your letter of April 22nd, but my secretary says that there is no copy in the files, so here it goes.

We certainly appreciated the picture of your family, and I am sending you a few snaps of mine, too, which are doing fine in the good old U.S.A.

Just last week we shipped 1,000 120-lb. demolition bombs, which were sold to the Canton Government by the Intercontinent Aviation Company. The Canton Government had considerable difficulty in getting a permit from the Nanking Government, but it finally came through O.K., and we hope to get some more business out of them.

Mr. Henry Lin called on us a few months ago, and afterwards was formally introduced to us by the Bureau of Foreign & Domestic Commerce in New York, as representative of General Ong of the Nineteenth Route Army. We gave complete quotations to Mr. Lin on our military line, in duplicate, so that he could forward them to China; however, since that time prices have advanced considerably owing to the increased price of commodities, and we therefore wrote Mr. Lin to his Washington address, withdrawing the discounts quoted and at the same time advising him that we would be glad to give a new quotation on any specific items that may interest him.

In talking to the war lords, you might mention to them that our president, Colonel B. C. Goss, was the chief of the Chemical Warfare Service of the First and Second Armies of the A.E.F. during the World War. He is probably the best authority on chemical-warfare equipment in this country and is a Reserve officer attached to the War Department in this Service. Any boost that you can give the Lake Erie products will naturally be appreciated.

I am leaving next Monday for a trip through Central America to sell this chemical warfare gases and aerial bombs.

I also appreciate your biography and at an appropriate time I will make the suggestion to some of our Senator friends to give you a recommendation for an advancement, as you probably realize that a good boost from powers that be will do you no harm and may lead to something more worthwhile.

With our best wishes, I am,

Sincerely yours,

F. V. Huber.

Enclosure.
FVH: MJ.

Exhibit No. 810

July 13, 1934.

General Douglas MacArthur,
Office Chief of Staff, State, War & Navy Building,
Washington, D.C.

Dear General MacArthur: I have just returned from a month spent in Turkey, in the course of which I met large numbers of Turkish generals and other officers, many of whom spoke of you and your visit with the greatest enthusiasm.

I think you must have instilled in the Turkish Army officials an intense respect for everything American, as they indicate that they do not want to obtain anything anywhere else but from the United States.

I expect to be in Washington next Wednesday morning, July 18, and would appreciate a few minutes' conversation with you regarding the above. I will call your office on arrival to find out if it will be convenient to see me for a few minutes.

Very truly yours,

The Lake Erie Chemical Company,
B. C. Goss, *President.*

("Exhibits Nos. 811 and 812" appear in the Appendix to Part I on p. 455.)

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MUNITIONS INDUSTRY

HEARINGS

BEFORE THE

SPECIAL COMMITTEE
INVESTIGATING THE MUNITIONS INDUSTRY
UNITED STATES SENATE

SEVENTY-THIRD CONGRESS

PURSUANT TO

S. Res. 206

A RESOLUTION TO MAKE CERTAIN INVESTIGATIONS
CONCERNING THE MANUFACTURE AND SALE
OF ARMS AND OTHER WAR MUNITIONS

PART 9

DECEMBER 4 AND 5, 1934

INTERNATIONAL MUNITIONS CONTROL

Printed for the use of the
Special Committee Investigating the Munitions Industry

UNITED STATES
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SPECIAL COMMITTEE INVESTIGATING THE MUNITIONS INDUSTRY

GERALD P. NYE, North Dakota, *Chairman*

WALTER F. GEORGE, Georgia	ARTHUR H. VANDENBERG, Michigan
BENNETT CHAMP CLARK, Missouri	W. WARREN BARBOUR, New Jersey
HOMER T. BONE, Washington	
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STEPHEN RAUSHENBUSH, *Secretary*
ALGER HISS, *Legal Assistant*

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INVESTIGATION OF MUNITIONS INDUSTRY

TUESDAY, DECEMBER 4, 1934

United States Senate,
Special Committee to
Investigate the Munitions Industry,
Washington, D. C.

The hearing was resumed at 10 a. m. in the Finance Committee room, Senate Office Building, pursuant to call of the chairman; Senator Gerald P. Nye presiding.

Present: Senators Nye (chairman), George, Clark, Pope, Vandenberg, Barbour.

Present also: Stephen Raushenbush, secretary to the committee.

The Chairman. The committee will be in order.

Mr. Hudson, you will be sworn, please.

TESTIMONY OF MANLEY O. HUDSON

INTERNATIONAL ATTEMPTS AT ARMS CONTROL BY TREATY

(The witness was duly sworn by the chairman.)

The Chairman. Mr. Hudson, during the summer you submitted to the committee, at the committee's request, a report on the international regulation of the trade in and the manufacture of arms and ammunition. The Chair has read it in its entirety, and counts it a most excellent contribution on this subject. He is going to ask that it be made a part of the record at this point and suggests that it may be possible to print it separately for such distribution and use as certainly will be in demand.

(The report referred to was printed separately as Committee Print No. 1, " International Regulation of the Trade in and Manufacture of Arms and Ammunition.")

The Chairman. Mr. Hudson, will you relate to the committee your connection with the Court of Arbitration?

Mr. Hudson. Mr. Chairman and gentlemen of the committee, I am a member of the Permanent Court of Arbitration at The Hague.

The Chairman. You have spent a great deal of time there, have you not, Mr. Hudson?

Mr. Hudson. I have from time to time been at The Hague and in Geneva, though not in my capacity as a member of the Permanent Court of Arbitration.

The Chairman. What are your connections at Harvard?

Mr. Hudson. I am Bemis professor of international law.

The Chairman. How long have you served in that capacity?

Mr. Hudson. Fourteen years..

The CHAIRMAN. You have spent a great deal of time, of course, at The Hague and in Geneva. Has our Government been especially helpful in the matter of international movements?

Mr. HUDSON. Perhaps I ought to reply to that with a short introductory statement to the committee. I think it is generally agreed that certain problems of the trade in the manufacture of munitions can only be dealt with by international action. A great deal can be done by national action, but the national action is bound to fall short of any solution of those problems unless at the same time international action can be attempted. We have had international legislation on the subject since 1890. In the Brussels act of 1890 certain provisions were included for the control of the trade in arms in various portions of North Africa and in the Persian Gulf. The United States ratified the Brussels act of 1890 in 1892.

We came down to the period of the end of the war, however, without any world-wide legislation, and at the Peace Conference in Paris an attempt was made to bring the Brussels act up to date and to make it universal.

That was done in the form of the St. Germain Convention, which continued to deal in large part with local areas but which also had certain provisions of universal application. Various states ratified the St. Germain Convention of 1919. The Government of the United States refused to ratify, and it was our refusal which was one of the factors which killed the St. Germain Convention.

We then proceeded to an effort to draw up a new international convention concerning the trade in arms. That was done at a conference in Geneva in 1925. The Geneva Convention was certainly a big improvement on the St. Germain Convention, but it continued to include provisions of local application as well as principles of universal application.

The Geneva Convention of 1925 has not been brought into force. The Senate did not give its consent to ratification by the United States until early in this year. It has been ratified by some 10 other governments, but 14 ratifications are necessary to bring it into force.

The CHAIRMAN. Was there any amendment to our ratification?

Mr. HUDSON. The ratification by the United States was to be subject to a reservation and a condition. The reservation was that so far as the United States is concerned provisions of the convention applying especially to Persia should not have a certain effect.

Our ratification is also to be subject to a condition that certain other states, named, should ratify the condition. That condition was set by various other states in their ratification, particularly by Great Britain. So far as I know, the President has not proceeded to effect a ratification, hence, the matter has not been put up to other States.

In short, the Geneva Convention has never come into force.

Parallel to this movement to control the trade in arms, there has been an effort at Geneva to deal with manufacture. You know that the Covenant of the League of Nations speaks of grave objections to private manufacture and calls for action to do away with the evil effects of private manufacture.

In pursuance of that provision in the Covenant, there has been an effort at Geneva over the past 14 years to arrive at some international regulation of manufacture. In 1921 a committee of the League of Nations drew up a statement of the objections which were made to private manufacture. I find in a morning paper in Washington that the committee's statement is not put in its exact form, and the quotation in the morning paper may, therefore, be misleading.

What the committee said was that the objections to private manufacture may be grouped as follows. It did not say that those objections were sound. The six paragraphs following that introduction have been very widely quoted and sometimes without the introduction.

The Government of the United States has taken a part in this movement at Geneva to deal with manufacture since about 1926. However, we have taken a very limited part and, in fact, we have at times been obstructive.

That was due to a position taken by our Government to the effect that the treaty-making power of the United States is so limited by the Constitution, that the Federal Government cannot deal with the manufacture of arms. Of course, that position, constitutionally, is thoroughly unsound, and it was finally reversed by the Department of State in 1932. Since 1932 our Government has therefore been free to take a much larger role in this movement.

During the course of the Disarmament Conference in Geneva the subjects of trade and manufacture have been connected. I have traced the whole history in my report. During the last year or two there has been an effort to get one international convention dealing with trade and manufacture, for trade requiring a license system, and for manufacture, also a license system with a certain amount of international supervision. That movement has now come to some prospect of success. In the early part of this year the Government of the United States put forward some very interesting proposals at Geneva, and in July of this year they were redrafted by a committee of the Disarmament Conference. The Government of the United States has now put forward at Geneva a draft of a convention dealing with both trade and manufacture. It is a much better draft than we have ever had in the past with reference to trade, and its provisions on manufacture would certainly go a long way toward meeting some of the evils of which people complain.

The Geneva convention now seems to be very unsatisfactory. I think that one cannot shed many tears at this moment that the Geneva Convention is not in force. Yet in my judgment, it is a pity that the convention was not promptly brought into force after 1925. But since this interim I should like to see a wholly new effort, which our Government is now making, to have a single convention dealing with trade and manufacture, and that convention ought not to be dependent upon the success of a general disarmament convention.

I am very pleased that the Government of the United States has now taken that position, and I think the draft which was published in the New York Times a few days ago should be broadcast. I am sorry that it has not been published, so far as I can find out, by the Department of State, and it seems to me that this committee ought to give publicity to the text of the draft immediately. That text certainly goes a long way toward summarizing the discussions of 14 years at Geneva and toward putting those discussions into form for immediate action.

It is to be noticed, however, that the text proposed by the Government of the United States leaves at one side the question of abolishing private manufacture. In spite of this fact, the text proposed by the Government of the United States represents a big advance, and I sincerely hope that we shall succeed in an effort to have that text, that draft, seriously considered at the Geneva Conference, and I hope that within the course of a year or so one may look forward to its being signed as a convention.

Senator VANDENBERG. Before you leave that, will you summarize in a paragraph or two the theory upon which this pending convention proceeds?

Mr. HUDSON. The convention has several chapters. Chapter 1 sets forth categories of arms and munitions to which the convention is to apply. This statement of categories amends in some ways a statement made in the Geneva Convention of 1925 and a statement which has been current at the Disarmament Conference for several years past.

Chapter 2 deals with provisions for the manufacture of arms and implements. It requires in general that each state should assume entire responsibility for the control of these matters in territories subject to its jurisdiction.

That, it seems to me, is an important statement of principle. There has been an effort on the part of various governments during these years to deny their responsibility for trade from and to their territories and for manufacture within their territories. I think this principle may have been first stated in the Disarmament Conference by Mr. Madariaga, of Spain, and I am pleased to see it enshrined in article 2 of this draft convention. Each state in the world is responsible for the manufacture within its borders of arms and munitions, and it is responsible for the international trade from and to its borders.

The convention then proceeds to require that manufacture and export and import should always be subject to a license by the Government. Then those licenses are to be given a wide publicity by their communication to a permanent Disarmament Commission, to be created at Geneva, and that Commission is to have certain investigatory powers with reference to states' compliance with the terms of the convention.

I cannot say that any of these provisions are in final form, and no doubt some of them would be subject to redrafting by an international conference.

Senator VANDENBERG. The final reliance is upon publicity?

Mr. HUDSON. The final reliance is upon publicity and reports by an international authority.

Senator VANDENBERG. But no authority except that of public opinion finally to enforce the purpose?

Mr. HUDSON. Oh, no.

The CHAIRMAN. I am sure you have made yourself clear, that the ultimate solution of the problem rests in possible international agreement.

Mr. HUDSON. That is true, and yet a great deal can be done by each country on its own.

The Chairman. I was about to ask if you thought that was possible.

Mr. Hudson. Even with the best of legislation in most states of the world, yet this subject cannot be handled without international legislation. That is shown by the history of the past 40 years.

The Chairman. Now, coming back to the question again of the part which our Government has played in accomplishing international agreement as relates to arms traffic, is there anything more which you would want to say in that connection?

Mr. Hudson. I think one cannot be very proud of the record of the United States on this subject, certainly its record until the last year or so. We defeated the St. Germain Convention. We took 9 years to act on the Geneva Convention, which was drawn up to meet our objections.

On the subject of manufacture for a number of years our representatives put forward a thoroughly unjustifiable argument to the effect that our Government was paralyzed by our Constitution and could not make a treaty on manufacture.

I am very happy to say that before Mr. Stimson left the Department of State he reversed that position, and since 1932 our Government has been in a position to take a cooperative attitude on the question of legislation concerning problems of manufacture.

During the course of the last year our record is certainly an excellent one. It is due to our initiative, President Roosevelt's initiative, and Mr. Norman Davis's initiative, that the subject has been recognized at the disarmament conference.

The Chairman. What do you feel has been behind the failure of our Government to cooperate more fully than it has?

Mr. Hudson. Partly the Senate of the United States.

The Chairman. Partly the failure of the Senate of the United States to respond in ratification of treaties when they had been entered into?

Mr. Hudson. The Geneva Convention was before the Senate for 9 years, or almost 9 years, before action was taken.

The Chairman. Do you have reason to believe that there was any force at work behind or through the Senate in preventing ratification?

Mr. Hudson. I am not informed as to that.

Senator Pope. That convention was before the Foreign Relations Committee rather than the Senate as a body?

Mr. Hudson. I had supposed that the Senate was responsible for its own committees.

The Chairman. What is your knowledge as to our reason for having opposed dealing with the manufacture in international conventions?

Mr. Hudson. I think our people were sincere in putting forward this constitutional argument. The argument is, in my judgment, unsound. The argument is this: That manufacture normally falls within the jurisdiction of the States and that the treaty-making power of the Federal Government, like the legislative power of the Federal Government, is limited to certain fields of action. In my judgment, the treaty-making power of the United States is not limited to those fields of action, at any rate the same fields of action as the legislative power of the Federal Government. Of course, once we have a treaty, we can then have legislation which will give effect to the treaty. But a sincere misstatement of our constitutional position made over and over and over again in these international conferences was partly responsible for our obstructive attitude.

The Chairman. There has been consideration in the various conventions of the abolition of the private manufacture of munitions of war. What has been the American attitude as respects that question in these conventions?

Mr. Hudson. Throughout, the representatives of the United States have opposed the abolition of private manufacture.

The Chairman. Is the sentiment elsewhere, in other lands, for the abolition of private manufacture?

Mr. Hudson. A great deal of sentiment has developed in these years for abolishing private manufacture. I think the representatives of the French Government at Geneva have consistently advocated the abolition of private manufacture. The French Government has recently been supported in that position by the Spanish Government, by the Polish Government, by the Danish Government, and by some other governments. However, the British Government, the Belgian Government, the Italian Government, the Japanese Government, and the United States Government have consistently opposed any effort to abolish private manufacture. I have summarized in my report the arguments pro and con on that question.

The Chairman. What would a changed attitude on the part of Britain and the United States accomplish in the convention as respects this question?

Mr. Hudson. If Great Britain and the United States should change their positions on that question, on the question of abolishing private manufacture, I think it would still be necessary to convince the Belgian Government, the German Government, the Italian Government, and the Japanese Government that the abolition of private manufacture was desirable. In other words, I think the United States and Great Britain could not and would not be willing to attempt to abolish private manufacture by international action without the concurrence of those governments. Of course, agreement by Great Britain and the United States on the desirability of abolishing private manufacture might have influence with other governments.

The Chairman. Is the abolition of the private manufacture by any one country wholly dependent upon international agreement, in your mind?

Mr. Hudson. Certainly, it is not, because it has been abolished in the Union of Soviet Socialist Republics.

Senator Clark. Where do they get their arms?

Mr. Hudson. I am not——

Senator Clark. They have a well-armed Army, have they not?

Mr. Hudson. They will, I suppose, tell you that they make them. Where they get them, I do not know.

The Chairman. They manufacture largely their own munitions?

Mr. Hudson. I cannot say as to that. Private manufacture, of course, is forbidden.

Senator Clark. Of anything. Not only arms, but anything else.

Mr. HUDSON. Yes.

The CHAIRMAN. What can you say, Mr. Hudson, as respects the attitude of the world on the subject of embargo on the shipment of arms to Bolivia and Paraguay?

Mr. HUDSON. Mr. Chairman, we now have a new chapter in human history dealing with that subject. I cannot say that, on the whole, it is a very encouraging chapter. An embargo on the shipment of arms and munitions to Bolivia and Paraguay was proposed by the British Government before the Council of the League of Nations last May. The Council did not take very clear action. It empowered a committee of the Council to conduct consultations with the governments, and those consultations have been in progress ever since.

I have in my hands the latest report on the result of those consultations, and it shows that some 28 or 30 states have now put into effect an embargo on the shipment of arms to Bolivia and Paraguay. I am pleased to say that the Government of the United States acted very promptly, with the concurrence of the Senate, and put an embargo into effect—it was almost the first state in the world to put the embargo into effect.

Some governments set conditions, however, and it took several months to iron out the question of whether those conditions had been fulfilled. One can say, I believe, that on September 25, which was the date of this report, 28 states had put the embargo into effect, and since that date at least one state, Norway, has put the embargo into effect retroactively.

Senator CLARK. If I may interrupt you, there has been testimony in this record by the heads of the American Customs Service that, under the present state of our law, it is practically impossible to enforce that embargo against anybody who desires to deliberately disobey it.

Mr. HUDSON. Nevertheless, the embargo is embodied in the Presidential proclamation.

Senator CLARK. Perfectly true.

Mr. HUDSON. And on the record it stands as an embargo. Whether it is being enforced, I do not know. I have not made an investigation.

Senator CLARK. I wanted to know whether the Government was making every effort to enforce it.

Mr. HUDSON. Now, this history——

Senator VANDENBERG. Pardon me right there, please. What, if any, major manufacturing nations have declined to join the embargo?

Mr. HUDSON. None. Thirty-six states were asked to agree to it, and some 30 of them have now agreed; the other 6 states' cooperation would not be very essential.

Senator VANDENBERG. In other words, it is completely effective in practice?

Mr. HUDSON. No; I should not say that it is completely effective in practice.

Senator VANDENBERG. I misstated my question. I mean that insofar as signatures are concerned, it is a completed document in practice?

Mr. Hudson. Mind you, each government has taken action within its own country. There is no international agreement on this question at the moment.

Now, to summarize this history:

First. It is very disappointing that in this international situation it took practically 3 months to get international action on this question.

Second: One must say that this is the first time in human history that a cooperative embargo on such a scale has been attempted. Never before in human history has such an embargo as this been attempted. There was in 1919 an effort to put into effect an embargo on the shipment of arms to China, but that embargo was by no means as extensive as this one.

I think, therefore, that a new chapter has been written in the history of this subject as a consequence of the efforts of these last few months.

I am placing before the committee, Mr. Chairman, in a supplementary report the complete account of those negotiations with reference to the embargo, because I believe they will be of interest to the committee.

The Chairman. Splendid. Thank you, Mr. Hudson.

Does the committee have further questions they wish to propound?

Senator Vandenberg. I would like to pursue this one thought: You say that this represents a specific forward step in the progressive control of this problem.

Mr. Hudson. The United States draft treaty?

Senator Vandenberg. No. I am referring to the embargo cooperation in South America.

Mr. Hudson. Yes.

Senator Vandenberg. You refer to that as a specific progressive step?

Mr. Hudson. Yes.

Senator Vandenberg. Have you any comment to offer as to whether the effectiveness of that progressive step is encouraging?

Mr. Hudson. I have not made a study of the actual effect of the embargo on the policy or the conduct of the Paraguayan Government or on the policy or conduct of the Bolivian Government. Without having made such a study I could not answer that question.

Senator Vandenberg. Of course, I am interested in the thing from the standpoint that we have frequently made paper progress before in some of these problems, and I am wondering whether we have finally reached the stage where a paper progress becomes practical.

Mr. Hudson. I think one can say from what I know—I have recently read the report adopted by the Assembly of the League of Nations on the question of the Chaco dispute—one can say that the embargo has had some effect. Yet I am not able to say that it has dried up the supplies of Paraguay or Bolivia.

The Chairman. What is the immediate prospect as respects ultimate control of the arms industry and the trade in arms the world over?

Mr. Hudson. I think if the United States draft treaty were accepted, put into force by a large number of nations, and tried out for a period of 10 years, we should have given a test to a pretty good experiment. For my part, I should not want to predict the consequences of such legislation. It might well be that if you had a fair test of the legislation over a period of 10 years, you would then want to move to another step. This draft treaty, for example, does not deal with the abolition of private manufacture. If you had this treaty in effect for a period of 10 years, you might then want to reexamine the legislative situation with reference to that question.

Senator VANDENBERG. Suppose one great major manufacturing country should decline to consent to the new draft treaty and all of the other major manufacturing countries should consent; would you consider that there was any element of danger in making the proposition effective, in the absence of a complete consent?

Mr. HUDSON. Not so much an element of danger as an element of competition, and I suppose that a treaty along these lines would hardly be put into effect without the cooperation of all the manufacturing countries. I realize that certain governments in the world now have licensing systems, but they do not have complete publicity with reference to those licensing systems, which this convention provides for. In Great Britain, as has been shown, I think, in the hearings before this committee, no arms may be shipped without a license and arms may be shipped only to governments with licenses. In other words, the British experience affords a basis for some judgment as to the effect of a licensing system. There are other governments in the world which require a government license for the shipment of any arms or munitions. That is all contained in my report, because a questionnaire on that subject was sent out by one of the committees that sat in Geneva.

The CHAIRMAN. That involves the international movement of arms?

Mr. HUDSON. No; it involves only the international export of arms. One may say, therefore, that in the experience of a good many countries the license system has had some result.

Senator CLARK. If I understand your answer to Senator Vandenberg's question correctly, it is your position that if all of the large manufacturing nations in the world, except one, should give adherence to this draft treaty, and one large manufacturing nation should withhold consent, that that would not be a danger to the safety of the nations adhering, but rather a handicap on the commercial side?

Mr. HUDSON. I express no opinion on the question of danger. I address myself rather to the commercial competition side of it.

Senator VANDENBERG. I should like to ask you one further question, Professor Hudson. Out of your large familiarity with the history of this problem in Europe, do you recall ever having heard any discussion of the existence as far back as 1925 of a secret French-English report on the rearming of Germany and of Austria?

Mr. HUDSON. I have no recollection of a specific report. I have heard from time to time about such reports, but I should have to refresh my recollection with respect to a particular report.

Senator VANDENBERG. You recall some general discussion of the existence of some such report in those earlier days?

Mr. HUDSON. Not specifically.

Senator VANDENBERG. I understand.

Mr. Hudson. I have heard from year to year discussions of reports of that kind.

The Chairman. Any further questions?

Mr. Hudson. Mr. Chairman, I am submitting this report in the form in which it was prepared for you on behalf of the American Committee in Geneva on September 1 of this year. Since that time there have been some changes, and I am submitting a supplementary report which will embody those changes in the situation.

The Chairman. Which you would like to have incorporated with the report of September 1?

Mr. Hudson. I should like it to be published, if possible, and immediately, if possible, as a single document. I think it is the first attempt which has been made to bring together all of the information on the international regulation of trade and manufacture.

The Chairman. I am sure that that arrangement for publication can be made and that if you will assist us in editing as respects the incorporation of your additional data, the committee will greatly appreciate it.

Mr. Hudson. With much pleasure.

The Chairman. We are very appreciative, Professor Hudson, of the splendid cooperation you have given the committee as adviser and in connection with this particular study, and we hope we are going to have that cooperation continued. We want to thank you.

Senator Vandenberg. Does your report include the text of the draft treaty?

Mr. Hudson. I am appending to the report that text of the United States proposal which was published in the New York Times. Again I would like to express my regret that the richest government in the world cannot supply us with a printed copy of that proposal in this country.

Senator Barbour. May I ask one question, Doctor? In respect to that analyzation that you referred to in the Times, the scope of "munitions" as recited there at the beginning, do you think that constitutes as well as can be the definition of that word "munitions", or should it be broader, do you think, and take in more things?

Mr. Hudson. I have not an opinion on that question, Senator Barbour. The framing of the categories of arms and munitions to which an international convention might apply has occupied those people working on the subject for many, many months. The framing of the list of categories in the 1925 convention was a very big task. The disarmament conference itself has spent literally years on the definitions of those categories. I believe that when our draft convention was presented at Geneva a few days ago an American representative stated that these categories had been slightly recast. I should not, therefore, want to express my own opinion on that technical question.

Senator Barbour. Your report, Mr. Hudson, I presume, expresses itself specifically in respect to that analyzation?

Mr. Hudson. It does not.

Senator Barbour. It seems to me that is a very troublesome element of the whole situation, the analyzation of where one thing ends and something else begins.

Mr. Hudson. It certainly is the very crux of the problem, and I have recognized that all along in my thinking on this question.

Senator Barbour. Thank you very much.

Mr. Hudson. Mr. Chairman, if you have no objection, I should like to present to the committee a study of the Chaco arms embargo, which we have just been discussing, made by Miss Mary Mattison, an American working with the Geneva Research Center, and published a short while ago. I hope that report by Miss Mattison may go into the record of the committee.

The Chairman. That will be ordered.

Now, Mr. Hudson, you may consider yourself excused.

Mr. Hudson. Thank you for your attention.

(The Chaco Arms Embargo by Mary Mattison appears in the appendix on p. 2201.)

The Chairman. The committee is under rather difficult circumstances here this morning as respects accommodations. We want to have the representative of Colt's, the Winchester, and Mr. Irénée du Pont, at least, on the stand here at one and the same time. I expect we are going to have to resort to questions or references to others who have been asked to be here, but we can accommodate only those three. So if Mr. Irénée du Pont will come forward and whoever is here as spokesman for the Colt's people and the Winchester people.

TESTIMONY OF IRÉNÉE A. DU PONT (recalled), H. F. BEEBE, AND SAMUEL M. STONE

The Chairman. This is Mr. Beebe, of the Winchester Repeating Arms Co.?

Mr. Beebe. Yes, sir.

Mr. Stone. And Mr. Stone.

The Chairman. Mr. Stone?

Mr. Stone. Yes; of the Colt's Arms Co.

The Chairman. Your full name?

Mr. Stone. Samuel M.

The Chairman. Mr. du Pont, you have been previously sworn, and we will swear Mr. Stone and Mr. Beebe.

(The witnesses, H. F. Beebe and Samuel M. Stone, were duly sworn by the chairman.)

The Chairman. Now, the committee will strive in directing its questions, before the question is propounded, to make direction as to who the question is intended for; some will be intended for all, and at such times the intent of the committee will be made known.

Mr. Stone, speaking for Colt's, will you tell the committee as fully as you can about the contact of your company with European manufacturers before the World War? In a pretty general way, I should like to know what your contacts were, and what your relationship was through those years preceding the World War.

Mr. Stone. We had a license agreement with the Fabrique National d' Arms de Liége, at Liége, Belguim, whereby they were permitted to make certain arms for which we control patents in territories in which they could operate more advantageously than we could. Does that suffice?

The Chairman. Just what was this company?

Mr. Stone. It is an extensive firearms manufacturing company.

Senator CLARK. Did you grant them exclusive right to certain territories?

Mr. STONE. Yes, sir.

Senator CLARK. In other words, you kept out of the territory granted to them yourselves?

Mr. STONE. Yes, sir.

The CHAIRMAN. Now, what were your other connections?

Mr. STONE. If I might enlarge upon that statement. The Colt's Co. controlled the patents of the Browning Co. in small arms for the United States and a few limited territories. The Belgian company controlled the rights of small arms for Europe and some other countries. We established a relationship between the Belgian company and the Colt's Co. dating from 1896. Consequently they were the logical company for us to extend our relationship with in Europe. The only other connection before the war, to my knowledge, was a contract we had with the Vickers Co. of England to manufacture arms of their invention for the United States Government during one period. Those were known as the Maxim machine guns. Following that, and about the time of the outbreak of the war, the Vickers Co. contracted with the Colt's Co. to make for them machine guns to permit them to supply to one of the European nations. When the United States entered the war they arranged with the British Government to have the Vickers Co. terminate that contract and to have the manufacture continued by Colt's but the product diverted to the United States.

Mr. RAUSHENBUSH. Which country was that, Mr. Stone?

Mr. STONE. The Vickers Co. had the contract with Russia.

Mr. RAUSHENBUSH. Russia?

Mr. STONE. Yes, sir.

The CHAIRMAN. Does that cover, generally speaking, your contacts abroad?

Mr. STONE. One other, at a period earlier than this, about 1914, the Hotchkiss Co. of France sold to the United States some machine guns which the United States arranged to have manufactured here, as was their custom, and the Hotchkiss Co. arranged with us to manufacture that lot of machine guns for the United States Government.

Senator CLARK. For the United States Government?

Mr. STONE. For the United States Government; yes, sir.

The CHAIRMAN. This period of which you speak, covers what years?

Mr. STONE. 1896 to the entrance of the United States into the war.

STIMULATING ARMS RACES BEFORE THE WORLD WAR

The CHAIRMAN. In the years immediately preceding the declaration of war was there a pretty intense competition, was there a race, an armament race on pretty generally throughout the world?

Mr. STONE. Before the World War was declared?

The CHAIRMAN. Before the World War.

Mr. STONE. Not to my knowledge; we were not participating in any such.

The CHAIRMAN. Weren't you largely contemplating a desperate situation there in Europe that might lead to war?

Mr. Stone. When the war broke, or started, it developed that machine guns had not been recognized as a very essential arm in warfare, and I am informed that when the war started Germany possessed more machine guns than all nations combined, which immediately developed a demand for machine guns from those nations which were allied. As a result, the production of machine guns not having been developed to a major extent, the condition did create an unusual demand for what had been a small industry.

The Chairman. When were you first connected with the Colt's Patent Firearms Manufacturing Co.?

Mr. Stone. 1905.

The Chairman. In what capacity?

Mr. Stone. Salesman, traveling.

The Chairman. Did you later become sales manager?

Mr. Stone. Yes, sir.

The Chairman. When was that?

Mr. Stone. Two or three years following.

The Chairman. About 1907?

Mr. Stone. About 1907.

The Chairman. And when were you elected president of the corporation?

Mr. Stone. 1921.

The Chairman. Do you not have a pretty large recollection of what really was an intensive arms race between certain nations in those 4 or 5 or more years preceding the World War?

Mr. Stone. Preceding 1914?

The Chairman. Preceding 1914.

Mr. Stone. No, sir. Mr. Chairman, might I, with your permission, suggest that prior to 1914 the machine-gun business done by American manufacturers was most incidental. Over a period of years there would be practically none manufactured. Then the United States would find that it was desirable to change their type. From 1896 to 1914 she utilized 1, 2, 3, 4, 5, 6 different models, but in very small numbers or quantities, and the United States manufacturers were never an important factor in machine-gun business before 1914.

The Chairman. What of pistols that were used for military purposes? Was there not a rather intensive pick-up in the sale of pistols during those years preceding the war?

Mr. Stone. The pistols are side arms, and before the war were generally used by officers, largely. At the time we entered the war pistols were side arms of officers and not used by infantrymen.

The Chairman. Didn't you enjoy a very large pick-up in business in the years preceding the World War, a decided pick-up?

Mr. Stone. I could give you the figures actually representing the sales in those various years. In fact, they have been compiled for you, at your request, but we understood that we had until the 21st to present them. You will have that information in detail.[1]

The Chairman. Very well; but I wish you would go back to those years, in your memory, and seek to recall what, in fact, was a decided enlargement in the market for military supplies, and that your company undoubtedly shared in the supplying of the wants of our own country and other countries as well.

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[1] The information referred to will be heard at a later date when the Colt Co. is to be recalled.

Mr. STONE. Might I remind you, sir, that the automatic pistols, which are recognized as the side arm, we were not at liberty to sell in Europe. The Belgian company, which controlled the Browning patents in Europe, sold only in Europe. We could not enter that market at all, sir.

The CHAIRMAN. Didn't you have an increase in your American market?

Mr. STONE. We had one or two contracts from our own Government, but largely due to the development of a new type of arms, or a new model.

The CHAIRMAN. Back in 1911 and 1912, didn't you then have a material market with the American Government for the pistol?

Mr. STONE. Because of a new pistol—a new pistol had been developed for them.

Senator CLARK. You mean the introduction of the automatic as against the old-fashioned revolver?

Mr. STONE. Yes, sir.

The CHAIRMAN. Were you not active in Germany during those years?

Mr. STONE. No, sir.

The CHAIRMAN. Had no representative there?

Mr. STONE. No, sir. We had a resident in Hamburg, a broker, who was at liberty to sell revolvers only through Europe. The volume of business from him and from Europe for 1914 was very small and incidental. Again, I remind you that the automatic pistol had become the popular arm, and was the military arm throughout Europe.

The CHAIRMAN. The facts are, Mr. Stone, that there was a decided race during the 4 or 5 years preceding the war, which found the countries that later participated in the war intensely engaged in programs of arming. You have no recollection of that?

Mr. STONE. We did not participate.

The CHAIRMAN. Mr. Stone, I have before me an affidavit, or a representation made by Benedict W. Holden, attorney for the Colt's Patent Firearms Manufacturing Co., to the Bureau of Internal Revenue, which was rather in answer to a single question that the Bureau had propounded to you. That question seemed to resolve itself to this: What would a prospective purchaser, who wanted to buy our plant and continue our line of business, be willing to give for our patents just prior to March 1, 1913. Mr. Holden entered into an extended letter explaining that if we are to intelligently answer this question we must, as far as possible, take into consideration the facts as they existed in 1913. Then he went into great detail, showing the tremendous armament race that had been on for some years then, and that went on for the next year, and I come down to page 7 of that brief by Mr. Holden, and I find his conclusions at that reference to the competition throughout the world as follows [reading]:

> With the conditions in Europe known, and constant inquiry being made by representatives of foreign governments, we had every reason to believe that there would be a great demand for our product, and because of this belief, we commenced the organization of a sales force in 1908 and 1909.

Does that serve to refresh your memory as respects the anticipation of the war possibility, or of at least acknowledging that there was a large demand for arms throughout the world during those years?

Mr. STONE. Only in a most general way, as it was possibly recognized by the public.

The CHAIRMAN. Mr. Holden went on in his brief to say that—

> Mr. Samuel Stone—

Is that yourself?

Mr. STONE. Yes, sir.

The CHAIRMAN (reading):

> And Mr. Frank Nichols, both officials of the company, had gone to Europe for the purpose of creating an organization to represent this company in the countries of continental Europe, Asia, and the Far East, and in 1913 we were receiving inquiries from all over the world.

When was it that you and Mr. Nichols went to Europe?

Mr. STONE. Never together. I went to Europe in 1909, Mr. Nichols on several occasions following that.

The CHAIRMAN. What was your mission in 1909?

Mr. STONE. In 1909 we were doing no business at all in Europe—possibly a little exception in some small revolvers.

The CHAIRMAN. Did you create an organization there in those years?

Mr. STONE. No, sir.

The CHAIRMAN. Mr. Holden has declared that you went there for the purpose of creating an organization to represent your company in the countries of continental Europe. Was that not your purpose?

Mr. STONE. No, sir; we had at that time this one broker representing us in Hamburg, and he and his agents, or representatives, throughout Europe were the only ones that did anything for us, and that very incidentally.

The CHAIRMAN. I find in Mr. Holden's brief this further reference [reading]:

> In 1911 we—

Speaking of Colt's—

> we had received written communications from Army officers representing the United States Government which showed that our firearms had, in actual tests, maintained supremacy and earned a record which was astonishing.
>
> We call your attention to the long report of the Ordnance Board conducting tests, the criticism of various weapons and suggested improvements and following each paragraph the terse sentence "Colt's functions perfectly."
>
> We have exhibited a letter from the War Department dated March 29, 1911, containing this all-important sentence in reference to the firearms manufactured under our patents, "has passed the prescribed test and has been adopted for the Service, and so forth."
>
> We have submitted letters from the officers of the Infantry School and the Cavalry School where these weapons were sent for test in competition with other weapons, wherein no less than in six separate places in the report, the officers reported it to be the most efficient and the best working small arm that they "had ever handled."

You had created an arm that was very much in demand, had you not?

Mr. STONE. That was the military automatic, the .45 pistol; it is a military arm.

The CHAIRMAN. That was the pistol?

Mr. STONE. That is the pistol; yes, sir.

The CHAIRMAN. Did you have any business in Russia prior to the war?

Mr. STONE. If so—my impression is that we sold them some automatic pistols.

The CHAIRMAN. Mr. Holden in his brief to the Internal Revenue Bureau, had this to say about the Russian business [reading]:

> The Russian business which we commenced in 1909, when Mr. Stone and Mr. Nichols were in Europe, really culminated in the purchases under which we made deliveries in July 1915.

Had you gone to Russia on that trip you made abroad in 1909?

Mr. STONE. 1909; yes, sir.

The CHAIRMAN. The brief goes on [reading]:

> The contracts with the United States Government, with deliveries assigned to the British Navy is an eloquent testimonial as to the knowledge on the part of the officials of our Government that firearms would be in demand or required by European nations.

What was the assignment to the British Navy of contracts with the United States Government?

Mr. STONE. I can't tell you, sir.

The CHAIRMAN. Can you recollect whether or not the assignment was large?

Mr. STONE. No, sir; I do not. I would have to get that information for you if it is desired.

The CHAIRMAN. Going back to the Russian question, how large a business did you do there commencing in 1909?

Mr. STONE. No business as early as 1909. I could give you the date of commencement. We sold them some automatic pistols, .45's, but I prefer not to try to give you that from memory, but can give you the facts on it.

Mr. RAUSHENBUSH. Mr. Chairman, might we have an answer to those two questions, the deliveries to the British Navy, and especially the other one as to Canada, put in the record at this point?

The CHAIRMAN. I want to read that again, and in that connection an additional paragraph from Mr. Holden's brief [reading]:

> The contracts with the United States Government, with deliveries assigned to the British Navy, is an eloquent testimonial as to the knowledge on the part of the officials of our Government that firearms would be in demand or required by European nations.
>
> Delivery in Canada for Great Britain was made on purchase orders and contracts beginning as early as 1914 and continuing uninterrupted to 1916.

Mr. STONE. Now, as you come to 1914 the picture is more clear to me, sir, because beginning with 1914, at the outbreak of the war, there came to this country and to us a considerable demand for machine guns from several of the European countries and also from Canada. The picture from 1914 is different from the one preceding.

The CHAIRMAN. But, according to Mr. Holden's brief, there was a decided market for this 4, 5, or more years preceding the declaration of war for armament.

Mr. STONE. Well, the figures we present to you will show exactly the volume in those years, Mr. Chairman.

The CHAIRMAN. You do not recollect how great was the assignment by the American Government to the British Government through Canada in the early stages of the war? You have no recollection of there having——

Mr. STONE (interposing). No, sir.

The CHAIRMAN (continuing). Been a very positive increase in the market for armament during those years before the war?

Mr. STONE. I would rather rest that answer in the figures which we will present you as facts, sir.

Senator CLARK. May I ask, Mr. Chairman, whether this assignment from the American Government to the British Government was after a state of war existed?

The CHAIRMAN. What of that, Mr. Stone?

Mr. STONE. I can't answer, sir. I think, Mr. Chairman, I should interpose here the registry of a letter with your committee of the absolutely necessary absence of Mr. Nichols. It is addressed to your secretary, with an attest from physicians and also from the chief investigator at our plant. Mr. Nichols, the vice president in charge of export matters, was expected to be with us—Mr. F. C. Nichols—and he having handled foreign export matters, would have been better qualified to reply to some of your questions than I am in his absence.

Mr. RAUSHENBUSH. Mr. Chairman, such a letter was received by the committee.

The CHAIRMAN. It has been received?

Mr. RAUSHENBUSH. Yes.

Senator VANDENBERG. Will he be available later?

Mr. STONE. His heart specialist has prohibited it entirely, but he would be available for any deposition or inquiry. The doctor would not let him travel.

The CHAIRMAN. Well, can you say whether this assignment was before or after the declaration of war?

Mr. STONE. I cannot, sir.

The CHAIRMAN. Mr. Holden, further on in his brief, makes this rather pointed statement, in his brief to the Internal Revenue Bureau [reading]:

> We appreciate the extraordinary demand occasioned by the World War. We know that a tremendous conflict was brewing in Europe; we felt this in 1908 and spent the money necessary to organize and maintain a sales force all over Europe.

Now, according to Mr. Holden, back as early as 1908, there was realization that a war was brewing in Europe, and Colt's were out after their share of the business. Surely, Mr. Stone, you should have recollection of the experience of those years leading up to the war, it would seem to me. Do you recollect of the tremendous increase in business in those years preceding the war?

Mr. STONE. We again ask you to let the figures of the volume of business speak the fact. We can provide those for you.

The CHAIRMAN. I am going to read that paragraph again in Mr. Holden's brief:

> We appreciate the extraordinary demand occasioned by the World War. We knew that a tremendous conflict was brewing in Europe; we felt this in 1908 and spent the money necessary to organize and maintain a sales force all over Europe.

In conclusion of Mr. Holden's brief, I find this language [reading]:

> This taxpayer—

Referring to Colt's—

> owned the basic patents and all improvements, so that every one of these guns were manufactured and sold under patents controlled by the taxpayer.
>
> That we had great value and prospects in 1913 is reflected by the fact as set forth in the affidavit of Edward J. Paul showing that in 1908——

Who was Edward J. Paul?

Mr. STONE. I would gather from the reading of that paragraph he was a stockbroker, sir. I do not know him.

The CHAIRMAN (reading):

> Set forth in the affidavit of Edward J. Paul showing that in 1908 stock was sold for 79½ and in 1913 was 182, an increase of over double the price, with the par value $100 per share. The Penfield affidavit shows dividends paid in 1908 of $162,500, with earnings of $251,451.26. Our earnings had increased to $653,659.29, or practically three times the volume in 1913.

So there was an increase from 1908 to 1913 of about 3 to 1.

> We invite your attention to the column of earnings as set forth in the Penfield affidavit, not a jump from $251,000 in 1908 to three-quarters of a million dollars in 1913, but a steady growth year to year, showing that increased sales and steady growth looked toward the equipment of armies and navies for the titanic struggle that every intelligent person knew was bound to come very soon.
>
> Negotiations were pending with foreign governments which later culminated in contracts. The Russian situation, which commenced in 1908, was fraught with some difficulties because the Russian finances had not recovered from the Japanese War. Subsequently we did a lot of business with Russia, Sweden, Argentine Republic, Spain, and Great Britain, and this business went from 1913 on to the end of the war.

Here, Mr. Stone, was contemplation plainly during the years preceding the World War, that war was an inevitable thing, it was coming, that all the world was preparing for it, that this preparation occasioned a very large market, and yet you seem to have no recollection of the increased business that occurred during those years preceding the World War. Is that not a rather extraordinary inability on your part?

Mr. STONE. Well, Mr. Chairman, may I not again suggest that you let the actual figures reveal that increase to you.

The CHAIRMAN. Those figures as quoted by Mr. Holden do reveal that, do they not?

Mr. STONE. Yes, sir.

The CHAIRMAN. Well, now, since you know that increase of business did exist, are you unable to recollect the preparation that was taking place throughout the world at that time for war?

Mr. STONE. I do not believe my knowledge of what was in the making was any more definite than that of the average citizen who was informed by the press, sir.

Mr. RAUSHENBUSH. Mr. Chairman. Mr. Stone, I believe, has already stated that the preponderance of machine guns which the Germans had, did very definitely influence the desire of other governments to increase their stock of machine guns, but for the purpose of the record, I think it might be well to identify the purpose for which this brief was entered. Mr. Stone, is it not a fact that the brief from which the Senator has been quoting was a brief filed with the Bureau of Internal Revenue for the purpose of increasing the claims valuation of the stock of the company on the basis of its anticipated or actual increase in earnings during the pre-war and early war years?

Mr. STONE. I presume that is the basis for it.

Mr. RAUSHENBUSH. It is really; isn't it?

Mr. STONE. Yes.

Mr. RAUSHENBUSH. The whole attempt was to show great business in order that the valuation as it might have been judged in 1913 was far other than the Bureau of Internal Revenue thought it should be?

Mr. STONE. Apparently.

Mr. RAUSHENBUSH. Correct.

Mr. STONE. Mr. Chairman, may I enlarge a little further upon the urgent demand for machine guns which came when war was about to, or did break? There were so few manufacturers of machine guns throughout the world, that those countries, not having those facilities, had to look to a very limited source of supply for their requirement, and, in consequence, Canada, for instance, Great Britain, or England, was manufacturing to her capacity for herself, and Canada turned to us to see if she could get machine guns. She was followed by four or five other European countries, all of whom became allies, and that made a very unusual demand for machine guns and some small arms before the United States participated.

Senator POPE. What companies were manufacturing machine guns at that time in Europe?

Mr. STONE. The Vickers Co. in Great Britain, Birmingham Small Arms of Great Britain, the Hotchkiss Co. of France, and Germany—I do not know the names of the companies in Germany, and a firm in Sweden. As far as I know, sir, those were the only ones at that time making machine guns.

Senator POPE. And in this country besides your firm?

Mr. STONE. Colt's only at that time, but a little later the Savage Co. made the Lewis gun.

The CHAIRMAN. Mr. Stone, just what was the occasion for your visit to Europe in 1909?

Mr. STONE. The board of directors decided that a general survey of the commercial field in Europe should be made to determine whether or not there was a demand for revolvers which would justify our undertaking to operate in that field, knowing we could not sell the pistols.

The CHAIRMAN. Were you not receiving inquiries and orders for your goods from Europe at that time?

Mr. STONE. We received inquiry for automatic pistols, all of which we had to refer to the European controller of the license.

The CHAIRMAN. Who did these inquiries come from?

Mr. STONE. Well, I would not undertake to state.

The CHAIRMAN. Individuals or governments?

Mr. STONE. I would not undertake to answer that, sir.

The CHAIRMAN. Coming back to Mr. Holden's brief, I have only quoted excerpts from it. The letter is a very interesting one from the standpoint of the tracing of the history of Colt's Co. during the years starting primarily in 1908, and tracing every step as the war and the possibility of war grew. So much to the point is it in revealing that the Colts were anticipating an ever-increasing market by reason of this program of preparing for war, then finally engaging in war, that the Chair is going to ask that the entire letter be printed in the record as an exhibit as "Exhibit No. 813."

(The letter referred to was marked "Exhibit No. 813" and is included in the appendix on p. 2215.)

The CHAIRMAN. Now, in supporting the claim before the Internal Revenue Bureau, at the time of this tax case, Mr. Frank C. Nichols, vice president of the Colt's Patent Firearms Manufacturing Co., gave a supporting affidavit which was dated the 23d day of January 1926. Is this the same Mr. Nichols who has been referred to previously this morning?

Mr. STONE. Yes, sir.

The CHAIRMAN. I read from Mr. Nichols' affidavit [reading]:

> Prior to 1910 we manufactured pistols and machine guns for the United States Army, Navy, and Marine Corps, and our orders for pistols and revolvers averaged from around 1,000 to 2,000 per annum.
>
> During 1910 the United States Ordnance Department conducted exhaustive competitive tests of automatic pistols presented by various manufacturers; the Government adopted as standard side arm the Colt automatic pistol and so reported to us officially in letter from the Office of the Chief of Ordnance, dated March 29, 1911. Following that decision the Government placed orders as follows during the years 1911 and 1912.

And then there are listed 11 separate orders placed during those 2 years totaling 72,570 pistols.

Mr. Nichols' affidavit goes on to state [reading]:

> This business taken in 1911 and 1912 was greatly in excess of any purchases made by the United States Government prior to 1910, but was along the general trend of business coming to us from foreign governments. From 1910 our business with the United States Government steadily increased in accordance with our expectations and the conservative estimate of the increase would be over 1,000 percent.

Mr. Stone, does not that serve to refresh your memory as to the tremendous increase in business that occurred preceding the World War?

Mr. STONE. Mr. Chairman, I should like to emphasize that this business was the result of the creation of an entirely new type of side arm which was to be purchased to replace the arms of a type made obsolete by the transfer to automatic pistols from the revolver type.

Mr. RAUSHENBUSH. That does not change the fact of the increase, however, does it?

Mr. STONE. Not at all. If they had continued to use the revolvers of the type with which the Army was then equipped, naturally there would not be the large increase in volume replacement.

Mr. RAUSHENBUSH. Yes, sir.

The CHAIRMAN. According to Mr. Nichols' affidavit, the purchases of side arms by the Government up to 1911 had been at the rate of from 1,000 to 2,000 a year, but here in 2 years were purchases of 72,000. Could that be called at all replacement? From 1,000 to 2,000 at the outside would mean that the 72,000 would replace from 20 to 35 years' supply.

Mr. STONE. I guess the War Department can answer that for you better than I can, sir.

The CHAIRMAN. Mr. Nichols' affidavit goes on to state [reading]:

> About this time we commenced active negotiations with the Russian Government, and about 1910 I made a trip to Europe to interview the officials of the Fabrique Nationale d'Armes de Guerre in Belgium, which company manufactured firearms similar to the product of the Colt's Patent Fire Arms Manufacturing Co.

Senator GEORGE. Was that your licensee company in Belgium?

Mr. STONE. Yes, sir.

The CHAIRMAN (reading).

> The purpose of my trip was to enter into some arrangement with that company to secure joint action of the two companies in supplying the demand which was then steadily increasing throughout continental Europe. Partly because of the result of the negotiations which were commenced at that time, we subsequently received orders from Russia for pistols and machine guns and in 1910, '11, and '12, we sold firearms manufactured under patents owned by this company, in increasing quantities throughout Europe and South America, to nations that had not before been customers of this company.

Then on the next page you will find the third paragraph declaring [reading]:

> The books of this company reveal that our shipments to the United States Government increased from $130,046.77 in 1910, to $819,677.53 in 1913.

And in conclusion of his affidavit Mr. Nichols states [reading]:

> On account of the interest that had, for many months, been manifested in our product throughout Latin-America, I spent 5 months in South America during 1914 and 1915.

That was a tremendous increase; was it not, Mr. Stone?

Mr. STONE. Yes, sir.

The CHAIRMAN. In the business which was done with the United States Government alone?

Mr. STONE. Yes, sir.

The CHAIRMAN. Ignoring entirely the new sales that were being made abroad in Russia and elsewhere?

Mr. STONE. Yes, sir.

The CHAIRMAN. Mr. Stone, was there not in your mind during those years constant knowledge and thought that the world was moving steadily in the direction of a conflict?

Mr. STONE. I think rather in sympathy with the thought in the minds of a lot of people.

The CHAIRMAN. You had rather direct knowledge of the prospect of war ultimately, did you not, by reason of your more intimate acquaintance with those who were buying arms?

Mr. STONE. I do not believe anything that would be of interest.

The CHAIRMAN. You are aware of the race that is on at the present time throughout the world of providing larger armaments?

Mr. STONE. The disposition of governments to arm themselves.

The CHAIRMAN. Is not our present situation very much on a par with that existing starting in 1908?

Mr. STONE. I would not want to identify comparables.

The CHAIRMAN. Not comparable at that time, but there was, was there not, something of the kind in the air at that period?

Mr. RAUSHENBUSH. Mr. Chairman, it is in Mr. Nichols' letter that in 1910, or thereabouts, they commenced to increase their stock holdings. He states [reading]:

> In 1910 or thereabouts I commenced to increase my stock holdings in the company, paying a price in accordance with the advance of the market. I

increased my holdings in the stock of the company as much as my finances would permit because I had faith in its future prospects, as indicated by the reports made to me by salesmen and the inquiries which came to them and to my office.

Mr. Nichols' letter answers your question.

Senator Barbour. Mr. Stone, with the chairman's permission, may I ask you this question: During the period prior to the war, did your concern make any additions to plant or plan for any additions to plant which you recall?

Mr. Stone. Not until the Government adopted the automatic pistol .45. We then had to increase our facilities, and, following that when the machine-gun business commenced to come to us from abroad, we made further increases. But the major increase was in behalf of the Government; supplying our own Government.

Senator Barbour. When was that, approximately, Mr. Stone, if you recall.

Mr. Stone. Starting in 1912.

Senator Barbour. You made considerable increases in plant then?

Mr. Stone. Yes, sir; more than doubling the capacity, which left us with a very serious problem at the conclusion of the war.

The Chairman. The affidavit of Mr. Nichols is offered for the record as "Exhibit No. 814."

(The affidavit referred to was marked "Exhibit No. 814" and is included in the appendix on p. 2219.)

Mr. Irénée du Pont. Mr. Chairman, to preserve the continuity, could I say a word on that subject at this time?

The Chairman. You may.

Mr. Irénée du Pont. The du Pont Co. had no such increase of sales immediately prior to the outbreak of the war in 1914. In fact, I think the business was almost dead in that regard. That leads me rather to believe that the testimony of Mr. Stone should simply show the introduction of a new invention. An invention had been progressing very rapidly, and it is recognized that very often one commodity will make another obsolete. I would suggest that that is probably the reason for the increase, and that the explanation given that everybody knew that there was going to be war is due to peculiar human characteristics that years after a fact has happened, everybody knew it was going to happen in advance. I have spoken to a great many people who knew that the crash in 1929 was coming. They know it now, but did not think so then, and thought we were in a new era which would continue forever.

The Chairman. This brief submitted by Mr. Holden to the Internal Revenue Bureau is so thorough an exposition step by step of the knowledge that the company had, the knowledge of every step of preparation which was being taken in Europe, all of it pointing to an ultimate conflict which was going to make necessary that expansion in which they were engaging at that time.

Mr. Irénée du Pont. I am not trying to influence your opinion or the conclusions which you draw, but the du Pont Co. had no increase in munitions in this same period.

The Chairman. Did you lay any plans in contemplation of an increase during that period?

Mr. Irénée du Pont. No; not before the middle of 1914, certainly.

Mr. RAUSHENBUSH. Mr. du Pont, when you referred to that fact upon the brief being hindsight instead of foresight, you make a serious charge, you realize, against the attorneys of this company who were preparing this brief with an idea of showing all along that the valuation of the company was increasing and therefore that increased valuation should be allowed by the Internal Revenue Department.

Mr. IRÉNÉE DU PONT. I do not think any such conclusion should be drawn. They knew the value of this patent and that is what made their property increase in value and not because they knew a war was coming.

Mr. RAUSHENBUSH. The question seems to lie in the fact, Mr. Chairman, that all these recitations of what the Kaiser did here to increase the war, and what Hungary did, and the like, have been left out and simply are submitted in the record. It stands there now.

The CHAIRMAN. Exactly, as it will stand in Mr. Stone's own affidavit, made in connection with this tax case, which we come to in a minute, which is offered as " Exhibit No. 815." That is an affidavit dated the 23d day of January 1926.

(The affidavit referred to was marked " Exhibit No. 815 " and is included in the appendix on p. 2221.)

The CHAIRMAN. That reads in part as follows [reading]:

> I am president of Colt's Patent Fire Arms Manufacturing Co., and have been connected with that company since 1905, becoming sales manager in 1907, and was elected president in 1921.
>
> In 1908 I went to Europe as a representative of the Colt's Patent Fire Arms Manufacturing Co.
>
> The trip to Europe was largely influenced by inquiries the company was receiving from agents or representatives for various governments which indicated a keen, active interest in the subject of firearms of all kinds by many of the European nations. It was our desire to ascertain to what extent we would be capable of satisfying demands which apparently were likely to be made upon us.
>
> I visited Russia and conferred with various agents of the Russian Government in response to inquiries which they had made. Negotiations were conducted which, I believe, led to the placing of important orders with the Colt's Patent Fire Arms Manufacturing Co. by the Russian Government. While in St. Petersburg (now Leningrad) it was necessary to leave passport at police headquarters, and I was checked up daily by an officer from headquarters.
>
> I went to Turkey at the invitation of the representatives of that Government, and they purchased small arms through our agents, commencing their purchases about 1909.
>
> We sold the Greek Government 10,000 small arms in 1914, and negotiations were carried on with that Government over a period of 5 years.
>
> On November 28, 1908, we received a cablegram from Paris, France, asking information, as result of which a representative of this company visited the agents of the French Government.
>
> We maintained an office in London, England, which kept in touch with the needs of the British Empire, also at Hamburg, Germany, until 1910.
>
> From 1908 our sales to foreign governments steadily increased, and I knew that there was then a market which could be greatly expanded in the immediate future. Indications were that Europe at that time was preparing for a war. Great secrecy was imposed upon all military observers, attachés, and foreign embassies. I had personal knowledge of the desire on the part of the Italian Government to build a Government armory for the manufacture of small arms in 1908, and everything in Europe pointed to an increasing demand for arms similar to the ones covered by patents owned by this company. I visited Vienna, Austria, in December 1908 and this Government was then seeking automatic pistols and machine guns.

> The Colt's Patent Fire Arms Manufacturing Co. manufactured tools and gages to be used in connection with the machinery already installed for the manufacture of our pistols and other patented products. In 1912 we had invested the sum of $51.000 in tools, jigs, and gages, to be used in the manufacture of automatic pistols of military model. The facilities then existing for producing small arms and machine guns were in the opinion of the board of directors and managers of the company, sufficient to enable them to do an annual business of several million dollars. Our opinion in this respect was justified because, without any additional investment, we were able to do a business of $5,308,903 in 1915, and $10,034,508 in 1916. We increased the number of workmen in the factory in 1915–16. We had purchased and installed the equipment and machinery, had made the tools, jigs, and fixtures in anticipation of this business, and had the machinery, equipment, tools, jigs, and fixtures, which were necessary to enable us to carry on this business.

Now, Mr. Stone, you had anticipated before the war this situation, which you were providing for before the war, had you not?

Mr. Stone. According to the statement.

The Chairman. It is your own statement.

Mr. Stone. Yes, sir.

The Chairman. That statement was made in 1926, not so long ago but what your memory ought to be able to carry back to those days and enable you to know that starting in 1908 you and your company were preparing for a war-time production, were you not?

Mr. Stone. I confirm the statements made in the affidavit.

The Chairman. I read on in your affidavit [reading]:

> Our office files are replete with letters of inquiry from persons connected with or interested in foreign governments, many of them agents for the government, asking as to capacity and our willingness to sell our product. The officers and directors of the company felt assured of a large amount of business in firearms manufactured under our patents, and because of this knowledge and their confidence in the future of the company, practically every member of the board of directors materially increased his stock holdings in the company, purchasing stock from time to time at market prices whenever the stock was available and in some cases borrowing money to make the purchases.
>
> Vice President Nichols has referred to the contracts with the United States Government and the growth of this business from 1910 to 1912, inclusive, which is a fair sample of the way in which our general business increased.
>
> The books of account of this company show that raw material and goods in process of manufacture were inventoried at $288,459 in 1909, and at the close of business in 1912 at $438,000. Prior to 1910 we did not carry an inventory of finished small arms. In 1913 our inventory of finished goods was $109,000, which is in addition to the material and goods in process of manufacture.
>
> In connection with this affidavit, a representative of the company will exhibit copies of letters, telegrams, and other data supporting any conclusions or expressions of opinion which have been stated herein.

That is signed by yourself, Mr. Stone.

Mr. Stone. Yes, sir.

The Chairman. Now your recollection as to when the Internal Revenue Bureau called upon you and your associates for a history of your investment leading up to 1913, it seems to me, was exceptionally good and keen by comparison with what it is now when we asked the pointed question, Were you not preparing for 5 years or more before the World War for a market which you felt very confidently was going to exist? If these affidavits are true, you were contemplating that larger market, were you not?

Mr. Stone. I guess we will have to rest on the affidavit, Mr. Chairman.

The Chairman. Has anything occurred since you made those affidavits which would make you conclude that your preparation had been for other than that conflict which did finally come?

Mr. STONE. I believe not.

Mr. RAUSHENBUSH. Mr. Stone, before we leave that tax suit question, the tax litigation or controversy, could you tell us when it was finally settled?

Mr. STONE. Might I make that inquiry of our treasurer, who is with me?

Mr. RAUSHENBUSH. Surely.

The CHAIRMAN. Surely. Who is the treasurer?

Mr. STONE. Mr. H. D. Fairweather.

The CHAIRMAN. Mr. Fairweather, will you come forward? A question has been left unanswered, Mr. Fairweather. Will you be sworn first?

TESTIMONY OF H. D. FAIRWEATHER

(The witness was duly sworn by the chairman.)

The CHAIRMAN. Mr. Fairweather, a question was just propounded which we will ask the reporter to repeat, but before doing that will you state your full name and your official capacity with the Colt's Patent Fire Arms Manufacturing Co.?

Mr. FAIRWEATHER. H. D. Fairweather; treasurer of the company.

(The pending question, as above recorded, was read by the reporter.)

Mr. FAIRWEATHER. I should say about 1926. I can check from the papers and find the date if you will give me a few minutes.

Mr. RAUSHENBUSH. Your affidavit is in 1926. Your recollection is that it was settled in the same year?

Mr. FAIRWEATHER. I would not say that; shortly after it. I cannot give the exact date without referring to it. I have papers which will give that information.

Mr. RAUSHENBUSH. That is close enough, I believe. Let me ask you a further question along that line. That tax controversy had to do with taxes in the year 1917, did it not?

Mr. FAIRWEATHER. It had to do with taxes over a period of years.

Mr. RAUSHENBUSH. The affidavits show the year 1917 mentioned as the one in question. Mr. Holden's affidavit, I believe, is in point there.

Mr. FAIRWEATHER. You will probably find something on the same line in the other war years—1917, 1918, and 1919.

Mr. RAUSHENBUSH. There were also controversies in the other war years?

Mr. FAIRWEATHER. There were.

Mr. RAUSHENBUSH. But those particular affidavits deal with the year 1917, and they constitute an attempt, do they not—I want to say this correctly—they constitute an attempt to fix, or attempt to fix, the valuation of the company as of 1913?

Mr. FAIRWEATHER. I am assuming so from what I have just heard now. I was not treasurer of the company at that time.

Mr. RAUSHENBUSH. So that we have a situation regarding war taxes that started concerning taxes in 1917, and that carried on for 9 years, at least until 1926, and then was determined on the basis of valuations as of 1913. Is that a correct statement?

Mr. FAIRWEATHER. I think that is a correct statement; yes, sir.

Mr. RAUSHENBUSH. You understand, Mr. Fairweather, that there is no criticism implied in my question. We are simply interested in another part of the hearings in finding out the best method of determining the possibilities of taxing war profits, so that I wish to enter it into the record that here is a tax suit that took 9 years, from the year in question to the year it was finally settled, at least 9 years, and then it was determined on the basis of an investment 4 years prior to that, all dealing with facts which approximately happened 14 years before the case was settled.

Mr. FAIRWEATHER. Bear in mind that the Colt's Co. had prepared, at the hands of experts, tax information to determine our tax liability for the year 1917. The Government, after a lapse of 2 or 3 years, perhaps, came in and said, "You owe the Government a lot more money." Other experts came in and it was finally settled that instead of owing the Government more money, the Government owed the Colt's Co. more money. That all took a period of years and was very expensive for the Colt's Co. and I presume as well for the Government.

Mr. RAUSHENBUSH. Could you give us an idea of how many experts you employed in that tax work?

Mr. FAIRWEATHER. No; I could not. I was not in charge of the work at that time.

Senator VANDENBERG. Were there many?

Mr. FAIRWEATHER. Two or three, I think.

Mr. RAUSHENBUSH. Could you give us an approximate idea of the legal expenses in that suit? Could you approximate it within $10,000 or so? [1]

Mr. FAIRWEATHER. I could not approximate it without referring to the record.

Mr. RAUSHENBUSH. Could we have the reply to that question put in the record at this point?

The CHAIRMAN. The question you propounded?

Mr. RAUSHENBUSH. I asked a question on the legal expense on that tax suit.

The CHAIRMAN. I think it is a matter which the committee ought to interest itself in. If you will supply that information, the committee will appreciate it.

Mr. RAUSHENBUSH. That is all I have on that point.

The CHAIRMAN. Have other members of the committee questions of Mr. Fairweather?

Senator GEORGE. Are you leaving the letter?

The CHAIRMAN. I am about to return to the affidavit.

Senator GEORGE. I have a question.

The CHAIRMAN. Go ahead.

Senator GEORGE. In this affidavit you used a statement which indicates rather clearly that there would be a war. The "indications were that Europe at that time was preparing for a war." What were those indications, Mr. Stone?

Mr. STONE. Impressions gathered from conversations with various individuals.

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[1] In a letter dated Feb. 27, 1935, the Colt. Co. informed the committee that the legal expenses of the tax suit in question were approximately $166,000.

Senator GEORGE. Have you received any confidential reports on which you base that statement?

Mr. STONE. No, sir.

Senator GEORGE. Just a general impression which you gathered while in Europe?

Mr. STONE. Yes, sir.

Senator GEORGE. Do you have in mind any specific thing that would be an indication, or any things?

Mr. STONE. I believe not, sir.

Senator GEORGE. Did you have any experts over there making a report to you?

Mr. STONE. No, sir.

Senator GEORGE. Did you receive any reports of any kind, of a political nature, which you now recall?

Mr. STONE. Just in general conversation.

Senator GEORGE. Conversation with whom? With munitions manufacturers in Europe?

Mr. STONE. With our then broker at Hamburg, who was selling small arms for us throughout Europe, endeavoring to sell them, and I was enabled to make contacts with commercial firms and discuss arms business generally.

Mr. RAUSHENBUSH. Mr. Stone, what countries did the Fabrique Nationale d'Armes de Liége have in that territory?

Mr. STONE. All of continental Europe.

Mr. RAUSHENBUSH. They had Germany in their territory?

Mr. STONE. Yes, sir.

Mr. RAUSHENBUSH. Austria in their territory?

Mr. STONE. Yes, sir.

Mr. RAUSHENBUSH. And it is a Belgian company?

Mr. STONE. Yes, sir.

Mr. RAUSHENBUSH. That is all.

The CHAIRMAN. Mr. Stone, your preparations from 1908 on up to the time of the war—are you reporting that your expansion was entirely traceable to new invention, new development in arms?

Mr. STONE. New development and increased capacity which a progressive plant is always engaging in to an extent.

The CHAIRMAN. But you do not anticipate any such progress as you witnessed in those years from 1910 on up to 1916 and 1918, do you?

Mr. STONE. No.

The CHAIRMAN. Coming back to the question, what part would you say the matter of your new invention had played in your expansion, starting in 1908? Had it played a larger part than your anticipation of the conflict that was coming and was going to call for larger supplies of all kinds and types?

Mr. STONE. It played a very large part. I think, Mr. Chairman, that you must take into account the national expansion, development, and aggressiveness of any type of manufacture. If a manufacturer creates something which he believes to be superior, for which he can develop an unusual market, he must prepare to meet that demand on his confidence, and when new arms are being developed, if you have confidence in your ability to place them, you naturally must first be assured that you are competent to meet the demand.

The CHAIRMAN. Supposing your invention of the automatic pistol had not come forward until, let us say, 1920; do you think there would have been as large a market for the product as there was back there in 1911 and 1912?

Mr. STONE. 1920? No, sir.

The CHAIRMAN. There could not have been any such market?

Mr. STONE. No.

The CHAIRMAN. Why?

Mr. STONE. Because of the fact that the world was oversupplied with arms of all types.

The CHAIRMAN. So that it was the competition, the demand for arms starting back there in 1908 and 1909 that offered incentive to invention, did it?

Mr. STONE. Yes, sir.

The CHAIRMAN. Offered incentive to invention and to the promotion of invention?

Mr. STONE. I think that is a fair statement, generally.

Senator BARBOUR. Is it a fact, Mr. Stone, that your trip abroad in 1910 was made with the likelihood of war and what it would amount to? Did you have any such idea as that?

Mr. STONE. May I interpose there? The record here shows my trip abroad was in 1908. That should have been 1909. I assume that is clear. I was there from the middle of November to about the 1st of February the following year. That is just to correct the record.

Senator BARBOUR. Aside from the year, whatever year you did go abroad, you did not go with any idea of studying the likelihood of war?

Mr. STONE. No, sir.

Senator BARBOUR. That was just a coincidence that you were over there at that time?

Mr. STONE. Yes, sir.

The CHAIRMAN. With the war over with, Mr. Stone, a war which found you having close contact with producers and representatives of munitions, do you have membership in any organization or any association of munitions makers in continental Europe?

Mr. STONE. No, sir.

The CHAIRMAN. The Union of Arms Makers of Liége, do you have any contact with them?

Mr. STONE. No, sir.

The CHAIRMAN. The committee will recess until 2 o'clock this afternoon, and, gentlemen, you will all come back at that time.

(Whereupon, at 12:05 p.m., the committee recessed until 2 p.m.)

AFTERNOON SESSION

The hearing was resumed pursuant to recess at 2 p.m.

FURTHER TESTIMONY OF IRÉNÉE A. DU PONT, H. F. BEEBE, AND SAMUEL M. STONE

The CHAIRMAN. The committee will be in order. Mr. Stone.

Mr. IRÉNÉE DU PONT. Mr. Chairman, might I interrupt before you get under way?

I have just been handed this copy of the News just out, with the headlines [reading]:

> Munitions papers disappear; entire file missing from du Pont office, investigators find. Attempt to shackle investigation that resumes today is to be probed by Senators.
>
> American arms manufacturers anticipated the World War as early as 1908 and organized large sales forces in Europe to obtain orders, Senator Nye charged today at resumption of the Senate's sensational munitions inquiry.
>
> Investigation of reported efforts by arms manufacturers to shackle the Senate's sensational munitions inquiry by destroying pertinent documents will be ordered immediately, it was learned today.
>
> Agents of the special arms investigating committee told of an epidemic of "missing papers" that hampered their search for evidence to be presented at hearings that were resumed today.
>
> Attempts by certain companies to impede the inquiry were reported to Chairman Gerald P. Nye and discussed at a secret meeting of the committee. Investigators said that an entire file of documents considered important in the inquiry had disappeared from an office in the E. I. du Pont de Nemours & Co., huge Delaware powder concern.

Mr. Chairman, I simply want to state that if the committee has any idea that that is correct or true in any particular, I would like to disabuse them of it. We have thrown every letter in our entire files open to your agents at any time they want them, and there is nothing missing.

I do not know how that report came to be put out, but it seems to me it is done purposely to discredit the efforts that we are trying to make in aiding you gentlemen to reach proper conclusions. We have nothing to hide, and anything you want to ask us, and anything in our files is there. If we had chosen to burn up files, we would have done it long ago, but we don't do business that way.

The Chairman. The Chair would like to announce that the report which Mr. du Pont has just read, appearing in today's press, is without any authorization by the chairman or any member of the committee or any member of the committee's staff. Sooner or later we are going to reach a phase which will deal at least directly with the main nub of the question that seems to be in controversy, but until that time is reached the committee is going to make no charges of there having been any evasion of furnishing the committee any information that has been asked for from the du Ponts or from anyone else.

Mr. Stone, how does your Belgian licensee report to you on the business which it does abroad?

Mr. Stone. Reporting quarterly or semi-annually on that portion of it which we are interested in, which we participate in.

The Chairman. Before the war how did they compensate you? On the basis of what reports were you paid?

Mr. Stone. On sales.

The Chairman. On sales?

Mr. Stone. Yes.

The Chairman. How were those sales reported to you?

Mr. Stone. By written reports, semi-annually, I believe, sir.

Senator Clark. Those showed the number of guns and the items sold?

Mr. Stone. Yes.

The Chairman. Are those reports still available?

Mr. Stone. Yes.

The CHAIRMAN. Those reports will show quite entirely your business that was done in continental Europe in those years?

Mr. STONE. Yes. Mr. Chairman, may I suggest that before the war our continental connections, the Fabrique Co., the Belgian Co., did not manufacture machine guns.

The CHAIRMAN. Only pistols?

Mr. STONE. Only pistols; yes, sir. It is only since the development of the present latest type of machine gun——

The CHAIRMAN. Were they selling your machine gun at that time?

Mr. STONE. I do not recall of any instance where they did. We had the rights for the machine guns in Europe until this new gun was developed, which we licensed them to make.

Senator CLARK. Did your arrangement with this Belgian company include a license to them to sell the machine guns in Europe prior to the war?

Mr. STONE. No; I think not, sir.

Senator POPE. Was that arrangement in writing, Mr. Stone?

Mr. STONE. Yes, sir.

The CHAIRMAN. I think the committee should have a copy of the agreement or arrangement, and also should have the copies of the reports that were made by the Belgian licensee to the Colt Co.; and that we will ask, Mr. Stone, to be furnished the committee.[1]

Mr. STONE. I will be glad to.

Senator CLARK. Mr. Chairman, I should like to include in that request that we also be furnished copies of any reports which the Belgian licensee made to the Colt Co. having to do with conditions in Europe looking toward an increase in business.[1]

The CHAIRMAN. Splendid. Let Mr. Stone make note as well to furnish the committee with any reports that were made by their licensee on the state of the market through that particular period.

Mr. STONE. Yes, sir.

The CHAIRMAN. What steps were taken, Mr. Stone, during that period by you and your associates for the company in ascertaining the true political situation, the state of the market for munitions of war, in those years preceding the World War?

Mr. STONE. Just by normal inquiries of our friends.

The CHAIRMAN. Normal inquiries?

Mr. STONE. Natural inquiries of our friends.

The CHAIRMAN. Would that involve contacts with the Commerce Department of your own Government, reports from them?

Mr. STONE. We endeavor to follow the reports from the Commerce Department in any matters pertaining to our industry, which are very few, of course.

The CHAIRMAN. You had created a sales set-up there in Europe and in Russia, starting in 1909 and 1910. Did they make reports to you on the political situation?

Mr. STONE. No, sir.

The CHAIRMAN. Were you encountering from 1909 to 1913 a pretty general knowledge the world over that war was in the offing?

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[1] This information will be entered at a later date when the Colt Co. is to be recalled.

Mr. Stone. We gathered the impression in the years just preceding the war, 2 or 3 years, that there was a very disturbed condition in Europe.

The Chairman. A very tense situation, was it not?

Mr. Stone. It appeared to be so.

The Chairman. One that found the governments throughout Europe pretty certain that there were dire events in the offing?

Mr. Stone. I could not speak for the governments.

The Chairman. They were preparing for the thing that did eventually come to pass, were they not?

Mr. Stone. I think there was a general fear that such might eventuate.

The Chairman. What steps, if any, did you and your organization take to break that tension or to lessen the danger of war being brought to pass?

Mr. Stone. We did not participate on either side of it, sir. I might say to you right here, Mr. Chairman, that the most positive information coming to us was inquiries we were receiving from customary go-betweens who wanted to establish themselves as our representatives to try and negotiate some Government business. That was followed by direct requests for information about machine guns from several of the European countries.

The Chairman. Now, this situation, this tense situation, that existed, was found at a time when you were expanding your facilities, was it not?

Mr. Stone. The expansion taking place at that time was largely on behalf of our own Government.

The Chairman. This expansion taken before the war, was it sufficient to meet the demands of the Government during the war?

Mr. Stone. No, sir.

The Chairman. It was sufficient to meet the demands of the Allied cause or of the world?

Mr. Stone. No, sir.

The Chairman. Up to the time the United States entered the war?

Mr. Stone. No, sir.

The Chairman. Did you expand in 1913 and 1914 from 1910?

Mr. Stone. Our expansion started, I think, in 1912, when we put up the first additional plant in which to build the automatic pistols for our Government.

The Chairman. Now, between that time and the time of the United States entry into the World War, what expanding, if any, was engaged in?

Mr. Stone. The next expansion was to provide facilities with which to manufacture the Vickers type of machine gun, under the subcontract I referred to earlier.

The Chairman. The evidence we have before use this morning, the contention made before the Internal Revenue Bureau, revealed, as I recollect, that your expansion in 1911 and 1912 was sufficient to take care of the needs that existed up to and including 1916. Yes; there was an exception stated in the affidavit involving an expansion to the extent of $51,000 in the meantime. But aside from that, according to the presentation made to the Internal Revenue Bureau, you had afforded before the World War broke a capacity that was sufficient to meet the needs that existed up to and including the demands of 1916.

Mr. STONE. The expansions of 1912, 1913, and 1914, I think, would cover that, Mr. Chairman.

The CHAIRMAN. Was there exceeding expansion after 1916, after the United States entered the war?

Mr. STONE. No. The chief expansion, if you would call it such, would be in the modification of the tool plant to adapt equipment from which the old type of machine guns had been made, to make it suitable for manufacturing the new type. You see, we discontinued what we called the 1914 old model machine gun and had to remodel those tools.

The CHAIRMAN. Then it is fair to say that in a general way you had afforded, before the declaration of the World War, a capacity that was adequate to meet the demands that were made upon you during the years of the war?

Mr. STONE. I should like to check the period during which that tool equipment was completed, Mr. Chairman. I do not want to make a positive statement as to the end of the period during which it was done, sir.

The CHAIRMAN. What part of your capacity has been utilized since the war, what percentage?

Mr. STONE. At the present time we have been—you mean for munitions or general?

The CHAIRMAN. General; your general work.

Mr. STONE. At the termination of the war we were employing some 10,000 employees. We immediately reduced to 3,000, then to 1,500, and then to 850, which sufficed for our munitions business. Then, with the great burden of overexpansion in plant and equipment, we had to turn our attention to new industries. We first contracted to manufacture for another company a large quantity of adding machines. Completing that, we took a contract to manufacture one lot of what is known as the "Thompson submachine gun" for the Auto Ordnance Corporation. Then we acquired a company which had been manufacturing hotel dishwashing machines and mechanical parts for washing machines. That now constitutes a separate division of our business. We then acquired the Johns-Pratt Co., from which we have developed three important units—an electrical division, a plastics molding division, and a brake-lining division. These new additions are occupying—well, two-thirds of the plant space we have and are now doing a very large volume of our total business.

The CHAIRMAN. During the actual time of the war, the 4 years of the war, was there any material expansion of your facilities or your capacity?

Mr. STONE. 1914 to 1918?

The CHAIRMAN. From 1914 to 1918; yes.

Mr. STONE. Only as we were adding to not the physical but the manual, to utilize the tools, the working tools, with which we could equip them.

The CHAIRMAN. But, of course, during that period you increased the numbers upon the rolls, the numbers who were employed?

Mr. STONE. Yes, sir.

The Chairman. You had shifts, of course, and were operating 24 hours in the day?

Mr. Stone. Yes, sir.

The Chairman. Now, what would have happened? Let us suppose that in 1913 or 1914 there had been an agreement reached that would have avoided a war. What would have been your financial position, in the light of the investment that you had made, starting in 1908, in your property?

Mr. Stone. I would have to refer to the financial statements to give you the figures. Those I believe you have, sir. We provided you with our financial statements from 1913 to 1933.

The Chairman. Would not the situation have been rather desperate if war had not come, for your company? You had anticipated what war was going to call for and had prepared for it in a rather thorough way, it would seem. If war had not come, wouldn't you have had on your hands a capacity that you could not have utilized at all?

Mr. Stone. The same situation that we were confronted with at the conclusion of the war, sir.

The Chairman. That is right, except that you turned at the conclusion of the war your production facilities to the production of other things than munitions.

Senator Clark. And you had a considerable cushion of war profits at the time you finally expanded your plant.

Mr. Stone. That helped.

The Chairman. Are you doing any work for the Navy at this time?

Mr. Stone. No direct contracts with the Navy.

The Chairman. Indirectly are you doing some work that is ultimately intended for the Navy?

Mr. Stone. Nothing that is so identified to us. Our contracts are with the War Department entirely.

The Chairman. On those contracts with the War Department have you had access to aid, directly or indirectly, through the Public Works Administration?

Mr. Stone. No, sir; not to my knowledge; not directly as far as we are concerned. What aid the War Department may have had I am not familiar with, sir.

The Chairman. We discussed this morning the assignment at the beginning of the World War of orders which had been placed by the United States Government, their assignment to the British Government through Canada. Do you remember anything at all of what the nature of that assignment was?

Mr. Stone. I do not, sir. I have tried to refresh myself at noon on that, but it does not come back.

The Chairman. Did it by any chance involve a transfer of orders which the United States Government had placed with you, and with the demand being as immediate as it was upon the British Government, the American Government was found ready to give consent to a transfer of its contract to the fulfillment of orders which Britain was pressing for?

Mr. Stone. I cannot tell you that, sir. Back at that time our late president, Col. W. C. Skinner, was handling the Government business, and while the balance of us knew in a general way what was going on, I did not know, and I would have to look up the details.

The CHAIRMAN. Now, as we recessed at noon you said that the connections existing between you and European gunmakers or munitionsmakers did not continue after the end of the war.

Mr. STONE. No.

The CHAIRMAN. You have no close connections with any armsmakers or association of armsmakers in Europe?

Mr. STONE. Only the one that I cited, the Belgian company. That, I think, is in the record clearly, sir. It should be.

The CHAIRMAN. What was the Union of Arms Makers of Liége?

Mr. STONE. I know nothing of it.

The CHAIRMAN. Do you know anything of the correspondence between that union and your own company?

Mr. STONE. No, sir.

The CHAIRMAN. Do you have anyone with you who might have knowledge of it?

Mr. STONE. One who might know, if there was such, Mr. Nichols, is the one absent. I have with us our treasurer and our patent attorney and our vice president and works manager.

The CHAIRMAN. Your agent in Belgium is whom?

Mr. STONE. Fabrique Nationale.

Senator CLARK. I would like to ask a few questions right here.

Mr. Stone, you said a moment ago, in response to a question from the chairman, that in the years immediately before the war most of your information as to European conditions and the probability of war came from certain customary go-betweens who were seeking to be your representatives abroad. Who were some of those go-betweens?

Mr. STONE. Mr. Senator, their number was legion.

Senator CLARK. Who were some of the prominent ones? You say the customary go-betweens. Did you have anything to do with Sir Basil Zaharoff, for instance?

Mr. STONE. No, sir.

Senator CLARK. Who were some of the customary go-betweens that sought to represent you abroad and gave you information as to the probability of war, which apparently you relied upon by enlarging your plant capacity to correspond with their information?

Mr. STONE. I would not identify any of them now.

Senator CLARK. Do you know any of them?

Mr. STONE. Yes.

Senator CLARK. Who were some of them?

Mr. STONE. One man named Peters, who was in charge of our Hamburg office, selling small arms.

Senator CLARK. He was your regular European agent?

Mr. STONE. Yes.

Senator CLARK. You would not call him a go-between that would come and seek to represent you?

Mr. STONE. Let's get clearly in our minds what you mean by go-betweens.

Senator CLARK. I want to find out what you meant by go-betweens. You are the one that used the expression. You said you were receiving your information as to European conditions and the probability of war, which evidently led you to enlarge your plant capacity, from certain customary go-betweens who were attempting to become your European representatives. Now, who were some of those go-betweens?

Mr. STONE. I think we better clarify our understanding of go-between.

Senator CLARK. Well, explain to us what you meant by go-betweens when you put the expression in the record here a moment ago.

Mr. STONE. I probably inadvertently used the wrong expression. But the men who approached us were trying to establish themselves as accredited representatives to negotiate government business for us.

Senator CLARK. All right. Now, who were some of those people who furnished you this information?

Mr. STONE. We did not deal with them and, therefore, lost interest in them.

Senator CLARK. But you testified a moment ago, in response to the chairman's question, that it was from those people you received your information upon which you relied.

Mr. STONE. They were pretty good salesmen in their own behalf, in their efforts to establish connections with us.

Senator CLARK. They were good enough salesmen that you relied on their information, but apparently did not employ them; is that it?

Mr. STONE. That is right.

Senator CLARK. What information did they give you at that time as to the European situation and the probability of war?

Mr. STONE. That there was a general movement on the part of most of the European governments to equip themselves better than they were then equipped for defensive purposes.

Senator CLARK. But you did not employ any of those people as your agents, even though you may have acted on their information?

Mr. STONE. When governments were ready to purchase equipment of that character they usually sent their own direct representatives.

Senator CLARK. Now, in 1911 there was considerable tension created in Europe by the so-called "Agadir incident." Did you receive any reports, either from your own accredited agents or from the go-betweens, as you designated them, as to the state of mind in Europe created by that incident?

Mr. STONE. No, sir.

Senator CLARK. That had nothing to do with the expansion of your plant then?

Mr. STONE. None that I recall.

Mr. RAUSHENBUSH. And yet, Mr. Stone, that 1911 incident is recited at some length in the report of Holden as showing the oncoming of the war.

Mr. STONE. I cannot give you any information on that. I could not have given you that.

Senator CLARK. Now, Mr. Stone, when these go-betweens were making approaches to your company, with a view to representing you in Europe, and disclosing this information to you, who in your company would they contact?

Mr. STONE. The president or the official in charge of the export business.

Senator CLARK. Do you know who talked to them customarily? Were you then the president or export official?

Mr. Stone. No, sir.

Senator Clark. You do not know of your own knowledge, then who they talked to?

Mr. Stone. No, sir.

Senator Clark. Was any record kept of these articles or this information, any interoffice memoranda of the information disclosed at this time?

Mr. Stone. I would doubt it.

Senator Clark. That was considered confidential?

Mr. Stone. Incidental.

Senator Clark. Hardly incidental, if you were expanding your plant capacity on the basis of their information. Can you give us the names of any single one of these go-betweens, Mr. Stone, on whose information you relied as to the European situation?

Mr. Stone. No; I think not.

Senator Clark. That is all.

INTEREST OF MUNITIONS INDUSTRY IN GENEVA CONFERENCE FOR CONTROL OF INTERNATIONAL TRADE IN ARMS

The Chairman. Your company in Belgium was the Fabrique——

Mr. Stone. The Fabrique Nationale.

The Chairman. The Fabrique Nationale?

Mr. Stone. Yes, sir.

The Chairman. Do you know anything of the ownership of that company?

Mr. Stone. No; I do not, sir; except one or two of the officers who have contacted with us from time to time. I do not know the financial set-up of it at all.

The Chairman. Mr. Raushenbush, in your endeavor to ascertain the relationship of the Fabrique Nationale, what have you found to be its relationship to the banking groups, and to societies generally?

Mr. Raushenbush. The information that we have received from our source is that it was owned by the Societe banking group, which also owns part of the Cartoucherie Belge, the Belgian Cartridge Co., and of the manufacture d'Armes de Paris, and of the Cartoucherie Francaise, which is the French Cartridge Co.

The Chairman. But, Mr. Stone, your entire connection since the war in Europe has been with the Fabrique Nationale?

Mr. Stone. Entirely.

The Chairman. Mr. Beebe. what were your European connections after the war, that is, the connections of your company?

Mr. Beebe. You mean as regards just the commercial business or military business?

The Chairman. All business from 1920 to 1925.

Mr. Beebe. Why, the London Armory Co. were what we called wholesale distributors or exclusive purchasers for the United Kingdom. It was after 1925 that we made a separate arrangement for the Irish Free State. Then we have a small dealer in France who is our exclusive importer in France. That is now Ch. Andre & Cie., successors to A. Pioso and C. Andre, formerly the old concern of Versepuy Andre & Cie. In Germany we had a house in the freeport known as the "Peters Arms Co."

Mr. RAUSHENBUSH. Of Hamburg?

Mr. BEEBE. Of Hamburg.

Senator CLARK. Is that the same Peters Mr. Stone was talking about?

Mr. BEEBE. I presume it is the Peters Arms Co. I think we had no agents as early as that in Scandinavia, although we had direct customers in some of those countries. As I would put it, we did not have any agents, but we had one or two exclusive distributors, whom we considered as exclusive importers. We did not sell to anybody else in Great Britain but the London Arms Co., and did not sell to anybody in France but Ch. Andre & Co.

The CHAIRMAN. Did you have connections with any association of arms makers in Europe?

Mr. BEEBE. I do not know just what you mean by connections.

The CHAIRMAN. Did you have membership in any European arms association?

Mr. BEEBE. No; no membership that I know of.

The CHAIRMAN. What was your connection with, and what was your relationship to the union arms makers at Liége?

Mr. BEEBE. I am not positive whether or not they are the ones that operate the so-called " proving house " there or not. There is a proving house in Liége, where guns are proved. They have to be up to a certain standard, and it is possible that someone at our plant may have had correspondence with that proving house, because we have our guns proved to an extent that is equal to or greater than the proof required at that proving house.

The CHAIRMAN. They are proven here at home?

Mr. BEEBE. They are proven at our factory, but with charges that are equal to or greater than those recognized by the proving house. It may be that the factory department may have had some correspondence with them. The only correspondence that I remember with any association over there was, I have forgotten the name of the association you mentioned—I think that is the one that wrote us in regard to the regulation for the proving of any arms and ammunition——

The CHAIRMAN. That was the committee of the Liege Gun Makers Association.

Mr. BEEBE. I can tell you what it is in a minute. I think your representatives had a copy of it. I do not know. Union Des Fabricants d'Arms de Liége.

The CHAIRMAN. Does that say the committee of the Liége Gun Makers Association?

Mr. BEEBE. It refers to the Liége Gun Makers Association, yes; " Yours very truly, the committee of the Liége Gun Makers Association, by the secretary, the president."

The CHAIRMAN. Yes.

Now, Mr. Beebe, what was the nature of the activity of this association?

Mr. BEEBE. Over there?

The CHAIRMAN. Yes. What was its purpose?

Mr. BEEBE. So far as I am aware, the only thing I know about it is the correspondence we had with it in reference to this.

The CHAIRMAN. Arms-control treaty.

Mr. BEEBE. Arms control; yes. That is the only thing I personally remember having had any correspondence with them about.

The CHAIRMAN. You had no membership, or did not participate in the organization of the association?

Mr. BEEBE. Not at all.

The CHAIRMAN. Did you have any knowledge of the existence of that association before you had this correspondence with them?

Mr. BEEBE. Not unless that is the proving house, but I am not sure of that, and I think it is not, but I do not know.

The CHAIRMAN. Well, what were your relations with the proving house?

Mr. BEEBE. So far as I know. it was not handled by me, any of the correspondence, it was the exchange of information as to relative charges that were put into these guns as proof that they would stand the charges, the same way that the English have a proving house, and every gun that is sent into England has to go to the English proving house and to be proved. We prove all of our guns with charges equal to or greater than those required by the English proving house, and exchange correspondence with our engineers and theirs.

The CHAIRMAN. 1924 and 1925 finds this committee of the Liége Gun Makers Association very active in combating the proposal for control of arms traffic. They asked you, did they not, to make proposals as to how the suggested treaty might be amended?

Mr. BEEBE. Their letter is right here. It says, "We make"——

The CHAIRMAN. Let us read that letter. The letter is dated the 5th of December 1924.

Mr. BEEBE. That is right.

The CHAIRMAN. You received such a letter?

Mr. BEEBE. Yes; I have it here.

The CHAIRMAN (reading):

> DEAR SIRS: The last Assembly of the League of Nations has directed the General Secretary to communicate to the several Governments members or nonmembers of the League of Nations the proposed convention about the control of the international trade in arms, ammunitions, and material of war, elaborated by the Temporary Mixed Commission, and to invite them to participate to a conference to be held probably during the months of April or May 1925 to discuss this proposed convention.
>
> Under same cover you will please find a copy of the Report of the Temporary Mixed Commission where the proposed convention is reproduced on pages 8 to 16.
>
> The Liége Gunmakers' Association, in agreement with the Masters' Association of Eibar, has decided to hand this communication to all the gun-producing centers, because it has serious reasons to fear that the Governments will not consult them in proper time as to this convention, called to replace that which was signed in St. Germain-en-Laie on the 10th of September 1919.

Senator CLARK. The governments would not consult the gunmakers.

The CHAIRMAN. This association appears to fear that the governments in convention are not going to consult the gunmakers.

Senator CLARK. That is very important.

The CHAIRMAN (reading):

> This latter was also elaborated without taking information as to the opinion of the interested industrials.
>
> In making the present communications, dear sirs, we beg leave to ask you to consider the alterations your corporation might think fit to be made in the

proposed convention and to propose to you to hold in Brussels in the second fortnight of January next a congress of gunmakers in order to consider the proposals of the different gun-producing centers, to elaborate a common program and adopt a line of conduct to move the several governments to amend the proposed convention in such a way that it may not hinder the legal and peaceful trade of sporting arms and such for personal defense.

I introduce this letter as "Exhibit No. 816."

(The letter referred to was marked "Exhibit No. 816" and is included in the appendix on p. 2222.)

The CHAIRMAN. I will leave part unread and turn to the second page, the next to the last paragraph:

> If you would kindly adhere to our proposal, dear sirs, and if your corporation had other proposals to make to the congress, we should feel much obliged to you to let us know as soon as possible, in order that on our side we may acquaint with it the different adhering parties and facilitate in such way the work of the congress.
>
> The present letter is directed to the following centers: English, French, Italian, American, Czecho Slovakian, German, Austrian, and Hungarian.
>
> Yours very truly,
>
> THE COMMITTEE OF THE LIÉGE GUNMAKERS' ASSOCIATION.

It is signed by the secretary and the president. The president was E. Neumann. This is the proposal made to you setting forth what the Liége Gunmakers' Association thought to be needed amendments to the then-planned draft, was sent to all the producers the world over, it would appear.

Mr. BEEBE. Well, they say to the gun centers, and I presume in a good many of those places they have special organizations to handle it.

Mr. RAUSHENBUSH. Do you know about that, Mr. Beebe, what central organizations they have in the various countries to handle things like that?

Mr. BEEBE. No; I do not.

The CHAIRMAN. Why was this sent to you, Mr. Beebe?

Mr. BEEBE. Well, I presume because Winchester has been known the world over as the premier manufacturer of the sporting rifle, and I think in the dictionary "Winchester" says sporting rifle, or words to that effect. We have had in Paris this agent, and we had during the old Paris fair an exhibit of Winchester arms and ammunition. The Belgian proving house knew of Winchester on account of proving their guns, or keeping in touch with them on that account, and I rather assume that they felt, as we think, that Winchester was the outstanding sporting arm, and this is directed, that is you understand, this association calls our attention to the way this affects the trade in sporting arms and ammunition.

Mr. RAUSHENBUSH. And for personal defense?

Mr. BEEBE. What?

Mr. RAUSHENBUSH. And for personal defense?

Mr. BEEBE. Well, "sporting arms", he says here.

Mr. RAUSHENBUSH. He also says "for personal defense."

Mr. BEEBE. Well, for personal defense, too.

Senator CLARK. Mr. Beebe, do you have any information as to why this Liége Gunmakers' Association sent this same invitation to attend this gunmakers' congress to Germany, when the manufacture of arms is forbidden by the Versailles Treaty, and to Austria-Hungary where the same situation exists?

Mr. BEEBE. I am not familiar with what the regulations were with regard to manufacture in Germany. I was under the impression they could manufacture .22 calibers, or something of that sort.

Senator CLARK. Those countries are not known at the present time as great gun-making centers to which the previous paragraph said invitations were being sent.

Mr. BEEBE. I do not know about that.

The CHAIRMAN. Following that letter, on January 3, 1925, you received another letter from the union to the effect that the countries, including Austria, were getting together to control the arms, which letter I am offering as "Exhibit No. 817."

(The letter referred to was marked "Exhibit No. 817", and is included in the appendix on page 2223.)

The CHAIRMAN. It appears from this letter that the congress had been moved from Brussels to Paris in the meantime, and in next to the last paragraph——

Mr. BEEBE. Yes; in Paris; yes, I see.

The CHAIRMAN. I notice a paragraph in that letter reading as follows, after referring to the countries that were participating [reading]:

> In addition to this, we have been acquainted by the Chamber of Commerce of Paris that our communication has been conveyed for examination to the Board of Paris Proofhouse—

I am not going to try to read the rest of these names here.

Mr. RAUSHENBUSH. It is translated there next to it.

The CHAIRMAN (continuing):

> Association of Austrian Gunmakers and Gundealers, has given in principle its adhesion to the project.

Had you communicated to the association in the meantime the fact that you received this first letter?

Mr. BEEBE. I think I acknowledged it February 9.

The CHAIRMAN. I mean in between the receipt of the letter of December 5 and the letter of January 3?

Mr. BEEBE. On February 9 I acknowledged the letter of the 5th, which reached me just at the time I was taken down with an attack of the grippe. We have since received yours of December 5 and January 3. So all three were acknowledged.

The CHAIRMAN. With whom did you finally take this entire subject matter up?

Mr. BEEBE. I have a letter somewhere, and I think it is in the letter of January 10. I wrote to the manufacturers of small arms and small arms ammunition, if I remember rightly, and sent them copies of it. I think you have a copy in your files there of my letter.

Senator CLARK. Did you ever answer that letter of December 5, 1924, that the chairman just read?

The CHAIRMAN. Yes; he said that he acknowledged that on January 8 or 10.

Mr. BEEBE. Yes; I acknowledged all three. I was ill and acknowledged all three at once. They all came in one after the other. I thought I had a copy of the letters I wrote. Have you got it in your files here?

Mr. RAUSHENBUSH. I think the Senator has it.

The CHAIRMAN. You mean the letter you sent to other arms makers?

Mr. BEEBE. Isn't that under date of February 10?

The CHAIRMAN. Forgetting that for the moment, did you refer the correspondence to anyone else than the arms makers?

Mr. BEEBE. Yes; I took it up, I think, with our representatives, if I remember rightly.

The CHAIRMAN. What do you mean by your representatives?

Mr. BEEBE. On April 7 I wrote to Congressman Tilson.

The CHAIRMAN. No; prior to that did you take it up with Mr. F. S. Bright?

Mr. BEEBE. Oh, yes; I stopped to see Mr. Bright during the course of these affairs. Mr. Bright was then our attorney.

The CHAIRMAN. In Washington?

Mr. BEEBE. Yes.

The CHAIRMAN. How long had he been your attorney?

Mr. BEEBE. That I do not know.

The CHAIRMAN. Is he still serving in that capacity?

Mr. BEEBE. Neither do I know that. All I know is I took it up with our people and, understanding Mr. Bright was our attorney, asked if it was all right to go see him about it, and they said yes.

The CHAIRMAN. Do you know whether he was representing any other gun maker or munition maker at the time?

Mr. BEEBE. I do not know, but as far as I know, no.

The CHAIRMAN. Mr. Stone, was Mr. Bright in the employ of the Colt's Arms Co.?

Mr. STONE. Not to my knowledge, sir.

The CHAIRMAN. Mr. du Pont, have you had Mr. Bright in your employ as counsel?

Mr. IRÉNÉE DU PONT. I believe so.

The CHAIRMAN. At that time?

Mr. IRÉNÉE DU PONT. I could not tell you that. I am quite sure he had nothing to do with any munition matter. I thought he was a patent man; isn't he?

The CHAIRMAN. What?

Mr. IRÉNÉE DU PONT. Isn't he a patent expert? I am confused, and possibly some fellows here in the company could tell you. I only met him once or twice.

The CHAIRMAN. Is he a tax lawyer?

Mr. IRÉNÉE DU PONT. I think he was a patent lawyer.

The CHAIRMAN. A patent lawyer?

Mr. IRÉNÉE DU PONT. I am confused.

The CHAIRMAN. Is he handling tax matters for you?

Mr. IRÉNÉE DU PONT. I could not tell you.

The CHAIRMAN. We find upon the records which your officers have supplied the committee that actually he was in your employ, but he received something more than his annual retainer for certain services. Could you tell offhand what his annual retainer was?

Mr. IRÉNÉE DU PONT. I could not.

The CHAIRMAN. This patent lawyer, Mr. Bright, appears in 1926 as having received $100.000 from your firm, Mr. du Pont, covering the settlement of Federal taxes from 1915 to 1923, inclusive. Do you have any knowledge of that at all?

Mr. Irénée du Pont. I imagine that is a true document that you have. I do not know what his compensation was. I would not be surprised if it were that much. Does that cover 6 years' service, do I understand?

The Chairman. No; that was a payment in 1 year, 1926.

Mr. Irénée du Pont. For what?

The Chairman. Covering services in the settlement of Federal taxes from 1915 to 1923.

Mr. Raushenbush. Mr. Chairman, we have a record of his receiving what seems to be retainer and expenses of about $5,000 from 1926 on.

The Chairman. From whom?

Mr. Raushenbush. From the company.

The Chairman. From the du Pont Co.?

Mr. Raushenbush. Yes. I do not know what the situation was before that. It is less in the later years.

The Chairman. Well, in any event, referring now to this letter of January 31, 1925. Mr. Beebe, that you wrote as manager of the foreign department, writing for the Winchester Repeating Arms Co., to Mr. Bright, I am offering it as "Exhibit No. 818."

(The letter referred to was marked "Exhibit No. 818" and is included in the appendix on page 2223.)

The Chairman. I read starting with paragraph 5 [reading]:

> It appears to me that our course of action should be to learn who will represent this Government at Geneva and then fully post such representative in regard to our goods, their uses, and the class of trade that buys them, so that arms and ammunition used for sporting purposes should not be shut out as military arms.
>
> If you agree with this, will you kindly endeavor to find out who is going to represent the United States and suggest the best method of approach. Fortunately both Congressman Tilson and Senator Bingham are military men and as I know them both I can take the matter up with them as soon as we hear from you. Doubtless we can also get some of the other manufacturers to take it up with their representatives.
>
> As I have already lost some time endeavoring to find the previous records on this matter, I will very much appreciate reply as promptly as possible.

Were you about this same time taking the matter up with other representatives of the gunmakers?

Mr. Beebe. As I mentioned, these are the people to whom I sent notice like the Colt, Remington, and United States Cartridge Co. There is a letter showing to whom it was addressed.

The Chairman. Did you take it up with the others?

Mr. Beebe. Oh, yes.

The Chairman. Did Mr. Bright ascertain for you who the delegates of the United States to this Geneva Conference were going to be?

Mr. Beebe. I believe he did. He said he had had a conference with Mr. Dulles, chief of the near east division, and so forth. No action, he says, will be taken by the State Department looking to the appointment of our representatives until after the 4th of March when a new Secretary of State takes charge. That is what Mr. Bright wrote me on February 2. I wrote to Mr. Drew, our president.

Mr. Raushenbush. Did he get that information from the Department of State, that no action will be taken by the State Department looking to the appointment of our represenatives until after the 4th of March?

The CHAIRMAN. Mr. Stone, were you approached upon this subject—your company?

Mr. STONE. If so, I do not know. Mr. Nichols would have had that in charge entirely, Senator.

The CHAIRMAN. Do you know whether your company took the matter up with Members of Congress?

Mr. STONE. I do not.

The CHAIRMAN. I have before me, Mr. Stone, copies of letters which were written by Colt's Patent Firearms Manufacturing Co., signed by yourself as president, addressed to Mr. Beebe, of the Winchester Repeating Arms Co. Do you have any recollection of the exchange of correspondence of that kind?

Mr. STONE. That probably was written in the absence of Mr. Nichols, who handled it. If I could see the letter, it might refresh my recollection and I could tell you.

The CHAIRMAN. Mr. Nichols was in Europe at that time, I believe.

Mr. STONE. I would not say "yes" or "no"; he was very frequently.

The CHAIRMAN. I think our record reveals that he was in Europe. Were you keeping Mr. Nichols advised there in Europe of the approach that was being made on this side concerning the getting together of the arms industry to prevent certain features of the proposed treaty being finally adopted?

Mr. STONE. I do not recall doing so.

Senator CLARK. Do you know whether Mr. Nichols conferred with anybody while he was in Europe in regard to this arms treaty?

Mr. STONE. No, sir; I do not.

The CHAIRMAN. On February 3, 1925, a letter was addressed to Mr. Beebe, from Mr. Stone, which is offered as "Exhibit No. 819."

(The letter referred to was marked "Exhibit No. 819" and appears in full in the text.)

The CHAIRMAN. That letter reads as follows [reading]:

> DEAR SIR: Your letter of the 31st was the first intimation we had received of the contemplated meeting of the manufacturers of firearms and ammunition being arranged for by the Chamber of Commerce of Paris, the information coming to you through the Union des Fabricants d'Armes de Liege.
>
> We have sent to Mr. Nichols, now in Europe, all the information you gave us, although it is possible that he knows something of the proposed meeting, inasmuch as he has spent much time in Liege with the Fabrique Nationale d'Armes de Guerre.
>
> It would seem that American manufacturers should be very much concerned and would desire to take an active part in a meeting of this nature. Do you know whether any of the Amercan arms companies are planning to be represented, either directly or indirectly?
>
> Thanking you for your consideration in sending the information to us, and with kind regards,
>
> Very truly yours.

That is signed by S. M. Stone.

On February 7, 1925, Mr. Stone addressed a letter to Mr. Beebe, which I will ask to be marked "Exhibit No. 820."

(The letter referred to was marked "Exhibit No. 820" and appears in full in the text.)

The CHAIRMAN. That letter reads:

> In further reference to your letter regarding proposed conference in Paris of arms and ammunition manufacturers, we cabled Mr. Nichols to make certain that he had knowledge of the movement and have had from him a cable

in which he reports that he and an officer of the Fabrique Nationale d'Armes de Guerre, of Liege, Belgium, are keeping fully informed about the conference.

Very truly yours,

S. M. Stone.

Senator Clark. Mr. Stone, it would appear, then, that you were in error awhile ago when you said you did not know of the existence of that.

Mr. Stone. This brings back to my attention the fact that I did have something to do with it in the absence of Mr. Nichols, in treating for him, but upon his return I just dismissed it.

Senator Barbour. Do you recall whether you actually dictated that letter yourself or signed a letter which somebody else dictated? Can you tell by the letter whether you wrote it yourself or not?

Mr. Stone. My initials are on it. It sounds as though I had a part in it.

Senator Barbour. I did not ask you that. I asked you if you dictated it.

Mr. Stone. I probably did.

The Chairman. Mr. Stone, at this time, early in 1925, you had a very large contract pending with Poland, did you not?

Mr. Stone. We had one under negotiation, never concluded.

The Chairman. Never concluded?

Mr. Stone. No, sir.

The Chairman. Did that contract involve as much as approximately $3,000,000, maybe?

Mr. Stone. I would not say so, but I would not deny it. If you have any evidence there to establish the amount, I will accept it, sir.

The Chairman. In connection with that contract that was then being negotiated, was there a plan which called for the giving to you of a mortgage of $600,000 or thereabouts on a plant in Poland?

Mr. Stone. That may have been one of a good many proposals that they submitted. There were a good many proposals and counterproposals handled in connection with those negotiations, which, as I say, were not concluded; but Mr. Nichols, having handled the details, what I was concerned with was that it was not concluded.

The Chairman. What was the general nature of this contract, the Poland contract?

Mr. Stone. To have manufactured a quantity of machine guns—I am speaking from my rather indefinite recollection of it on behalf of Mr. Nichols—but my recollection is that it was just that we manufacture a quantity of machine guns for Poland, and a part of the contract would be extending them the right to manufacture a certain percentage of guns themselves after the first contract. That is a very indefinite recollection of it, sir, because I was not handling it. The Fabrique Nationale Co. were concerned in that also with us, but in what particular I would not undertake to say.

The Chairman. The proposal then pending at Geneva was rather embarrassing to you, was it not, as respected this contract?

Mr. Stone. Not that I recall, sir.

Mr. Raushenbush. The Geneva proposal called for full publicity on all shipments, and I believe all arrangements such as those which you were discussing for building or equipping a complete munitions plant over there. I think that is what the Senator had in mind in asking that question.

Mr. Stone. My recollection is that the Fabrique Nationale company were negotiating for the building of a plant, it being conceded that any European company could lay down a plant of that kind at a very much better price than Americans could do it.

Mr. Raushenbush. Was not the matter of building the $600,000 plant tied up very definitely with the winning of the successful bid in competition for those machine guns or automatic rifles?

Mr. Stone. I would expect it would have been. I would not want to give details.

Mr. Raushenbush. So that if you did win the competition, you would expect to take charge of the building of the plant?

Mr. Stone. I would not say on the details of that, Mr. Raushenbush.

The Chairman. Was the French Government opposing you on your pending contract with Poland?

Mr. Stone. They probably were. They were active as a competitor. They are pretty stiff competition any place you go to sell products, machine guns.

The Chairman. The French Government indicated that it might be considered a rather unfriendly act if Poland dealt with you in this matter rather than with Hotchkiss?

Mr. Stone. That might be so. I would not say so.

The Chairman. You must have had knowledge or must have gathered at that time that the Hotchkiss Co. had a very considerable influence with the French Government, did you not?

Mr. Stone. Oh, surely.

The Chairman. You knew that to be true?

Mr. Stone. It has always been so.

Mr. Raushenbush. It has always been so?

Mr. Stone. To the best of my knowledge. The French Government has worked very closely with its industrialists in their endeavor to get foreign business, they working on the theory that the more activity from abroad that can be secured for their industrials, the better it is for the Government.

The Chairman. Is it not true that all the European governments were backing up and lending every possible aid and encouragement to their own makers of munitions, so far as it related to foreign sales?

Mr. Stone. I expect that is so.

The Chairman. Do you know of any exception to that rule?

Mr. Stone. No.

The Chairman. Do you know of any case where a European government was not aiding and giving all the aid it could to its own producers of munitions?

Mr. Stone. My knowledge of such activity, of course, would come in those instances where we have encountered certain competition. If we encountered competition from Hotchkiss, for instance, we would know something of their activities with the French.

Senator Clark. Mr. Chairman, it appears in this record that a good many American ambassadors and consular agents have been engaged in pushing munitions sales abroad.

The Chairman. Exactly. What was Vickers' interest in the Polish contract?

Mr. STONE. I do not know, sir.

The CHAIRMAN. Did you know that they were interested?

Mr. STONE. No; unless they were competing for it. I think from the standpoint of competitors they were very active.

The CHAIRMAN. They were active as a competitor?

Mr. STONE. I assume so. I am sorry I must be indefinite in my replies on this subject because it was handled almost entirely by the manager of our export department and foreign business, and my knowledge of it would be in conference with him in reviewing certain things, so that I cannot speak of first-hand knowledge very definitely, Senator; I am sorry.

The CHAIRMAN. I am not going to dispute the authority which is ours concerning Mr. Nichols' present condition, but it must be observed at this point, I think, that in several other cases where we have run into situations requiring the testimony of some one individual, that individual has been ill and has remained ill and we have never been able to reach them and to get their testimony. That was true in the case of Mr. Joyner, true in the case of Mr. Simons, and now in the case of Mr. Nichols. I think you have said, though, that we would find available depositions from Mr. Nichols, if we desired.

Mr. STONE. At any time you desire them.

The CHAIRMAN. Where is he?

Mr. STONE. In Hartford.

The CHAIRMAN. In Hartford?

Mr. STONE. Mr. Senator, I should like to have the record show clearly that not only letters from a prominent physician, the heart specialist, but also a letter, I believe, has been sent to you by your chief examiner in our plant, who knows quite fully the actual conditions.

The CHAIRMAN. Quite true, and for that reason I said I was not going to dispute the authority which we have here as to his condition.

Mr. STONE. I hope you are not implying evasion, sir, because it is eminently unfair to do so.

The CHAIRMAN. Did Mr. Nichols ever report to you the degree in which foreign governments were backing up their arms makers as respected contracts like this, in which you were interested in Poland?

Mr. STONE. In some instances it was reported that the governments concerned themselves to the extent of sending military commissions and financial commissions as well as using their diplomatic circles to try to influence the business in behalf of their industrialists.

The CHAIRMAN. There was an intense competition at that time for whatever business existed?

Mr. STONE. Yes, sir.

The CHAIRMAN. And it was in the light and in the atmosphere of this competition that the cause of the arms-control plan was undertaken? Is not that a true statement of the facts?

Mr. STONE. I would assume that to be a fact.

The CHAIRMAN. Mr. Beebe, it was during this very time that you and your associates were getting the help of a Member of Congress, who at that time was majority leader in the House, to present your case at the State Department. You have the correspondence before you concerning that, do you?

Mr. BEEBE. We wrote to Congressman Tilson.

The CHAIRMAN. Congressman Tilson?

Mr. BEEBE. Yes, sir.

The CHAIRMAN. Before we go on to that, let us read the letter which you wrote to Mr. F. S. Bright, in the Colorado Building here in Washington, your representative, under date of February 16, 1925. I will offer this as "Exhibit No. 821."

(The letter referred to was marked "Exhibit No. 821" and appears in full in the text.)

The CHAIRMAN. That letter states [reading]:

> I have just received a letter from Congressman Tilson, in which he states that Mr. Dulles, Chief of the Near Eastern Division of the State Department, called him on the phone and stated that he would like to talk over personally with me the proposed restriction of traffic in arms.
>
> Congressman Tilson volunteered to go with me to the State Department, if it was possible for him to do so.
>
> Considering Congressman Tilson's standing with the administration and also his attitude toward arms manufacturers, I think it would be helpful to have him go with me.
>
> I shall endeavor to get in touch with you immediately upon my arrival in Washington Wednesday morning.

Did you get in touch with Congressman Tilson at that time?

Mr. BEEBE. I believe I did. I am not sure whether it was Congressman Tilson or his secretary. I think one or the other. I do not recollect definitely. I went to his office and I think I saw him, but if I did not it was probably his secretary, Mr. McCune. I do not know whether later correspondence will show whether I got in touch with him or not.

The CHAIRMAN. Did Mr. Tilson go with you to see Mr. Dulles?

Mr. BEEBE. As I say, I am not positive—this is some 8 or more years ago—whether it was Mr. Tilson or his secretary, Mr. McCune, but I remember going to see Mr. Dulles. Either one or the other went with me.

The CHAIRMAN. But you do not recall whether Mr. Tilson was with you then?

Mr. BEEBE. I am not positive. It may be that in some of this correspondence it tells some place whether I went with him or not. Wait a minute [examining papers]. No; I do not know. That is the same letter where he volunteered. I am not positive.

The CHAIRMAN. You did go to see Mr. Dulles?

Mr. BEEBE. Yes, sir.

The CHAIRMAN. What other governmental officials did you see at the same time on the same trip?

Mr. BEEBE. I think with Mr. Nichols we went to see General Ruggles.

The CHAIRMAN. Who?

Mr. BEEBE. Ruggles—it was someone in the War Department.

The CHAIRMAN. War Department?

Mr. BEEBE. Yes.

The CHAIRMAN. Major General Ruggles?

Mr. BEEBE. Possibly; I am not sure. There was somebody.

The CHAIRMAN. Where did you go to see him?

Mr. BEEBE. I went along with Mr. Nichols. I had never met him before, but we believed this, if I may be permitted to make this statement: Please remember that what we are interested in this thing for is on the sporting arms and ammunition, and this whole thing seemed to tie our hands so that it would be difficult for us to do business in sporting arms and ammunition, with the regulations in the form in which they were submitted—that is, if they should go through—and consequently we wanted to have everybody interested in it understand the difference between the sporting and the military type of ammunition, so that they could make such changes in those recommendations or recommend changes that would divorce the sporting arms and ammunition from the Government business.

Senator CLARK. When you called on General Ruggles had you received any information that he was to be a member of the Arms Conference?

Mr. BEEBE. I do not believe I had any information as to who was to be.

Senator CLARK. Just picked Ruggles' name out of the air?

Mr. BEEBE. No.

The CHAIRMAN. Mr. Nichols did the picking.

Mr. BEEBE. Mr. Nichols said to me, "I am going over to see somebody in the War Department"—I believe he said—"to see what their attitude would be on sporting arms and ammunition."

I went along with him, but I do not remember what the general said.

The CHAIRMAN. Did the general indicate at that time that he was going to go to Geneva as one of America's delegates to that conference?

Mr. BEEBE. I have no recollection of that at all.

The CHAIRMAN. Did you see anyone else beside Mr. Dulles and General Ruggles on that trip in February of 1925?

Mr. BEEBE. I do not know that I saw Mr. Bingham or not—Senator Bingham. It is possible, but I do not remember.

Mr. RAUSHENBUSH. If your interest was entirely in sporting arms and ammunition, how did it happen that you went over with Nichols, of Colt's? Do they also manufacture sporting arms?

Mr. BEEBE. Yes. Take a revolver, and it is for target practice, protection, and so forth, and was considered sporting arms.

Senator CLARK. Many classes of sporting arms and ammunition can be used for war purposes, can they not, Mr. Beebe? A sawed-off shotgun was considered an excellent weapon, was it not?

Mr. BEEBE. It was used in the trenches, but there was a special gun called a "trench gun", with a bayonet on it, which was the one designed for the trenches. If they put shotguns in that class, that is, that classification of war materials, you could not have trapshooting or anything else in the sporting-goods line.

The CHAIRMAN. While you were there on this trip in February of 1925 in Washington, did you run into anything encouraging or discouraging relative to the part which the American Government would play in that conference?

Mr. BEEBE. I do not remember particularly. This conference made a report and certain recommendations. I think at a later date that we had another conference, at which I think this same General Ruggles was present.

The CHAIRMAN. Now, at one and the same time you were advising the association at Liége of your activities here. Under date of February 9, 1925, you wrote this association a letter, which I am offering as "Exhibit No. 822."

(The letter referred to was marked "Exhibit No. 822" and is included in the appendix on p. 2224.)

The CHAIRMAN. I read from that letter the following paragraph [reading]:

> As it will be impossible to send a delegate to the convention, we are taking the matter up with our Government here with the idea of placing in the hands of the delegate that may be appointed by the United States to the Geneva Convention full information as to our views on the subject. We, therefore, cabled you as follows:
>
> "Impossible send delegate; have notified other manufacturers; if possible send 12 copies report mixed commission; will submit views to United States delegate Geneva; writing."

That was signed by you, Mr. Beebe?

Mr. BEEBE. Yes, sir.

The CHAIRMAN. Did you have any understanding with General Ruggles, a member of the delegation, or anyone else at that time, that you would be advised as soon as there had been a decision as to who was going to Geneva as American delegates to this convention?

Mr. BEEBE. I do not remember that there was any advice given as to who would go or who would not go. It is possible, but I do not remember.

The CHAIRMAN. Were you advised in February that when there was determination as to who was going you would be advised?

Mr. BEEBE. I do not remember. It is possible.

The CHAIRMAN. How do you account for the very interesting point, at least, that in your early contact in February you found yourself visiting upon the subject with one who later was a delegate to the Geneva Conference, as was true in the case of General Ruggles?

Mr. BEEBE. As I tell you, I do not know. I did not arrange the meeting with General Ruggles or anything else. I presume that Mr. Nichols had had business with him and went over to see him. I do not know.

The CHAIRMAN. What would Mr. Nichols have in mind in inviting you to go along and see General Ruggles?

Mr. BEEBE. I have no recollection of what he said, but I remember it as an incidental matter. Mr. Nichols and I had been working on this matter, and incidentally he said, "I am going over to"—I think he said the War Department; and I went along with him before we went back to our hotel. So far as I know, I had no intimation as to who was going—as far as I recollect.

The CHAIRMAN. You told the association at Liége that you were taking it up with the other manufacturers here in the United States?

Mr. BEEBE. That is right.

The CHAIRMAN. In what manner did you take this up with the other producers of the guns?

Mr. BEEBE. I wrote a letter to a certain member. I have been looking for it. Have you a copy of that letter? I think it is February 10.

Mr. RAUSHENBUSH. I am looking for it right now.

Mr. BEEBE. You see, they sent us one copy of that proposal, and in my cable I asked them to send seven more. I think you have a copy of the letter here; have you?

Mr. Raushenbush. I think that is the one [producing letter].

The Chairman. I would suggest that the letter of February 20, addressed to the companies by Mr. Beebe, be laid before Mr. Beebe. Let that letter of February 20, 1925, be entered in the record as "Exhibit No. 823."

(The letter referred to was marked "Exhibit No. 823" and is included in the appendix on p. 2225.)

The Chairman. Let us read, starting with the fourth paragraph in that letter. I might say parenthetically that this is a letter that you are submitting to the other industries interested in the same trade here in the States, and you undertake to outline what your studies have convinced you in regard to the matter of the Geneva Convention. I read:

> It would seem to us as if the control by sovereign States could be left to each importing State as at present, and in the case of such countries as are under the jurisdiction or sovereignty of another State, the control could be exercised by the latter. This would, of course, leave the situation practically as it is today.

Now, after all, your desire was to leave the situation as respects trade in arms just as it was at that time?

Mr. Beebe. As regards sporting arms and ammunition.

The Chairman. I read on [reading]:

> As I see it, to bring this condition about would mean urging our Government to decline to enter into any agreement to control the international trade of private manufacturers.

Mr. Beebe. As it stands there, it might appear to refer to all arms and ammunition, but I ask you to bear in mind that we are specifically interested in the sporting goods end of it.

The Chairman. We will read on [reading]:

> I get the impression that in spite of the fact that the United States was a leader in urging the reduction of armaments that there is a feeling on the part of other nations which has been given more or less publicity that the United States is quite willing that arms and ammunition should be furnished to other countries for war purposes, thereby encouraging strife, while professing the desire to do everything to procure peace. Under such conditions it might readily appear to our Government to be proper for them to enter into some sort of an agreement as to the control of traffic in arms and ammunition. If our Government does this, I feel sure that our representative will be willing to give sympathetic consideration to such amendments as manufacturers in this country may suggest in the direction of removing the handicaps and prohibitions on the sale of arms and ammunition used primarily for hunting, sport, target practice, and ammunition, and at the same time make less drastic the provisions applying to war munitions.

Now, then, what was to be the purpose of the arms makers in this conference which you were seeking to accomplish?

Mr. Beebe. Well, as I have stressed before, the principal idea was to suggest changes in the proposal which would not cripple the business in sporting arms and ammunition, and as I personally had suggested here, at the same time making less drastic the provisions applying to war munitions. I could not say just now exactly what that was. Evidently there was some provision in there which struck me as being exceptionally hard on us.

Senator Clark. Exceptionally hard on whom?

Mr. Beebe. Exceptionally hard on the American manufacturers.

Senator Clark. You mean the American manufacturers of war munitions?

Mr. Beebe. Yes, sir.

The Chairman. Is not this the attitude, pretty much, Mr. Beebe: You concluded that the United States Government was in a rather "hot spot"; it was at least pretending or doing something in the matter as a leader in the cause of world peace, and the other nations were looking rather skeptically upon some acts by the United States, which made the rest of the world wonder how sincere the United States might be in its leadership in the cause of peace?

Therefore, the United States, in this conference, was going to have to do something to redeem itself in the eyes of the rest of the world, and that the problem of the arms manufacturer was that of causing the United States Government delegation to that Geneva conference to do things that would be less drastic, even as affected the sale and trade in munitions of war than were the provisions incorporated within the present draft of that convention. Was not that, pretty frankly, the attitude of the industry at that time?

Mr. Beebe. It is a pretty long statement for me to follow.

The Chairman. Let us suppose that the rest of the world was really looking upon the United States as being a real leader in the cause of peace, that there was not any suspicion, such as you refer to here in your letter, wouldn't you have felt freer to approach your own Government and the delegation that was going to Geneva with outright opposition to the treaty?

Mr. Beebe. I may be a little dense, but I cannot follow you.

Senator Clark. In other words, it was easier for you and held forth more promise of success to ask for modification of the treaty than the mere rejection of it.

The Chairman. Yes. I say the Government was on the spot where they could not reject or could not ask for the rejection of the whole treaty, and the most you could hope for was modification of the treaty, even to the extent of modifying those provisions that related to something more than sporting goods.

Mr. Beebe. I think what was in the back of my mind in making this statement was this: At the present time it is practically impossible to ship munitions to any of the countries that ordinarily buy them without what is called an import license at one end and a consular invoice at this end, and consequently there is a regulation and restriction in pretty nearly every country in that direction. If we get an order, we cannot turn around and ship it unless we are assured that the consular invoice will be signed. The consular invoice will not ordinarily be signed until the consul in New York has been advised by his Government that an import license has or has not been prohibited.

That, I think, is responsible for my statement there, which I think is later brought out, that they could leave things as they are because the Government itself would be apprised of the purchase.

Senator Clark. Now, Mr. Beebe, does not your language which the chairman just read, having to do not with sporting goods but with the war conditions, simply mean this: That while your primary interest may have been in sporting goods and ammunition, you were making common cause at this time in an effort to prevent the adoption of the original draft of that treaty with other concerns whose primary interest was in war munitions, and wasn't that the reason for the inclusion of that language in your letter?

Mr. BEEBE. No. I do not think that anything in my correspondence said we would try to stop or prevent that, but we wanted to amend it.

Senator CLARK. But you said it was. I don't know what else it means.

Mr. BEEBE. We wanted it amended.

The CHAIRMAN. And make it less drastic?

Mr. BEEBE. Yes.

Mr. IRÉNÉE DU PONT. Mr. Senator——

The CHAIRMAN. Let Mr. Beebe finish his explanation here first, Mr. du Pont.

Mr. BEEBE. I think my statement about leaving things as they were is covered by the fact that I think there practically is a license arrangement on all legitimate shipments.

The CHAIRMAN. Was there a license arrangement at that time?

Mr. BEEBE. I mean an import license in practically every country which has to be passed on to the consul in New York before he will vise a shipment. I think practically all of the Latin American countries, where most of our business comes——

The CHAIRMAN. This letter was written after you had gone and seen Mr. Dulles and General Ruggles, was it not?

Mr. BEEBE. I am not certain when I did see them. I have got the dates here. That may have been.

Mr. IRÉNÉE DU PONT. Mr. Chairman, might I answer Senator Clark's remark?

I have here a report of an informal meeting of the manufacturers' representatives to discuss the economic phases of the forthcoming Geneva Conference for the control of international trade in arms. This meeting was held on April 1, 1925. I think you may have a copy, but I think it is very pertinent to call attention to that.

The CHAIRMAN. We are coming to that, and I think it would be well——

Mr. IRÉNÉE DU PONT. But, Mr. Chairman, you have just been cross-questioning him on his memory when you have got a written document of it.

The CHAIRMAN. Not on memory; no. I am cross-examining on the language he used on a matter which was uppermost in his mind.

Mr. IRÉNÉE DU PONT. Then I must be mistaken. I thought you were trying to find out what the manufacturers were after.

Senator CLARK. We were trying to find out what he meant by writing the letter at that time.

The CHAIRMAN. Mr. Beebe, you and Mr. Tilson went to Mr. Dulles and to General Ruggles, and you succeeded, did you not, in softening the attitude of these people toward the arms manufacturers?

Mr. BEEBE. I should not say that by any means. In the first place, I told you I am not positive whether I went with Congressman Tilson or whether I went with his secretary. I think it was one of them. I talked with Mr. Dulles more to find out, if I could, something about this convention and the delegates and whether they had been appointed, and so forth, and what was perhaps the best method to pursue to get our views before the delegates when they were appointed.

The CHAIRMAN. What was Mr. Dulles' attitude toward your contention on the day you saw him?

Mr. Beebe. My recollection is that Mr. Dulles said that the probabilities were that anything of this importance would be considered by several departments—the War Department, the State Department, and the Department of Commerce. And I believe as a result of that, whether the State Department asked the Department of Commerce or not, or whether some member of our comittee did, I am not positive, but it resulted in then Secretary Hoover sending out a notice to the manufacturers to come and talk this thing over with him and get their views into such shape that they could be submitted to the delegates when appointed.

The Chairman. What was the attitude of General Ruggles when you saw him? Was he conversant at all with the subject?

Mr. Beebe. I remember very little about any discussion with General Ruggles.

The Chairman. Did this request that you had made for copies of the resolution adopted at the Paris meeting result in your receiving copies of it?

Mr. Beebe. I believe they sent the copies and that I sent them on to the other people I had written to; I think so.

The Chairman. Do you have a copy of that resolution before you?

Mr. Beebe. You mean this League of Nations?

The Chairman. No; the draft of the Convention for the Control of the International Trade in Arms, Munitions, and Implements of War.

Mr. Beebe. That was merely the one they proposed and not the League of Nations.

The Chairman. You have not asked for this? You have not asked the Gun Makers Association for their resolutions?

Mr. Beebe. No.

The Chairman. But they did send them to you?

Mr. Beebe. This is what I understood they were going to send us [holding up document].

The Chairman. But they did send you a copy of their resolutions?

Mr. Beebe. They did send us that; yes.

The Chairman. Evidently the gunmakers there in Europe had had a conference all of their own before the official conference was held at Geneva. What was your reaction upon receipt of this resolution?

Mr. Beebe. The resolution of the gunmakers, you mean?

The Chairman. Yes.

Mr. Beebe. Well, as I remember it, it did not seem to us that it fully covered the matter.

The Chairman. I notice article 5 in their resolution declares [reading]:

> Without prejudice to any obligations to which they may have subscribed under international conventions dealing with transit, the high contracting parties, when there is a presumption of fraud in the conditions of a shipment of arms, munitions, or materials of war, undertake to make an inquiry, and if the fraud has taken place, prohibit the transit in question.

Just what was the meaning of that kind of a quotation? What would that have done?

Mr. Beebe. Just let me read it again. Well, I don't know just what it means, but I presume it meant that if the League found that anybody had violated any of the rules laid down that they would——

The CHAIRMAN. It means this: That no effort was to be made before the shipment to ascertain the facts, but after that, if they could conclusively prove that there had been fraud, they would be prohibited from shipping further; wasn't that what it amounted to?

Mr. BEEBE. Well, it says, "prohibit the transit in question." I don't know whether that means the particular shipment or not.

The CHAIRMAN. Of course, their article 5 was one which they proposed to substitute for article 5 of the report of the Temporary Mixed Commission for the Reduction of Armaments.

Mr. BEEBE. I presume so.

The CHAIRMAN. Which report is to be submitted to the convention to be held at Geneva. Let us read there the article 5 of this Mixed Commission:

> Without prejudice to any obligation to which they may have subscribed under international conventions dealing with transit, the high contracting parties, when they have reason to believe that any consignment of arms, munitions, or implements of war in transit through their territories does not conform to the provisions of the present convention, undertake to investigate the circumstances, and, if necessary, to prohibit the transit.

Professor Hudson, how much thought and study have you given to this draft by the Mixed Commission?

Mr. HUDSON. Years ago I gave some study to it.

The CHAIRMAN. Had you previously had access to the proposals of the arms makers?

Mr. HUDSON. I never heard or saw them before.

The CHAIRMAN. Are you prepared to discuss just what the difference was between the two articles proposed?

Mr. HUDSON. With the text before me, I might.

The CHAIRMAN. Having heard the two proposals, I am sure the committee would be delighted, Professor Hudson, in your telling just what it was that the arms makers were themselves proposing in place of this article 5.

Mr. HUDSON. As you read the proposal, it seems to me that the proposal is far less exigent than the original draft of the Temporary Mixed Commission.

The CHAIRMAN. The arms can be shipped without anyone knowing about it, can they not? They could at that time?

Mr. HUDSON. I cannot say what other articles in the convention as proposed by the Temporary Mixed Commission may do or may provide on that point.

The CHAIRMAN. This article proposed by the arms makers convention in Liége made rather a joke of that article, didn't it, or they would have liked to have made a joke of it?

Mr. HUDSON. Certainly the proposal is less exigent than the draft of the Temporary Mixed Commission.

The CHAIRMAN. Would the proposal which they were offering mean anything at all? Would it alleviate the prevailing conditions?

Mr. HUDSON. Let me see the draft, please.

The CHAIRMAN. Let Mr. Hudson see the text of that for just a moment.

Mr. RAUSHENBUSH. Senator, you may have in mind the testimony given by the deputy collector of customs of the Port of New York regarding the ease with which arms could be shipped and can be shipped.

The CHAIRMAN. Exactly. I want to bring ourselves to that, where there is no knowledge of what is being shipped by authorities here or abroad.

Mr. HUDSON. Having the two texts before me, as a draftsman I should say that the proposal would tend very much to alleviate the effect of the draft of the Temporary Mixed Commission, thought I could not say that the proposal was a mere joker.

Senator CLARK. Dr. Hudson, is not the essential difference that the proposal of the Gun Makers Congress requires the presumption of fraud; in other words, the establishment of a prima facie case before action can be taken, while under the proposal of the convention it is taken as a matter of course?

Mr. HUDSON. That is why I say it very much alleviates the effect of the draft of the Temporary Mixed Commission.

Mr. RAUSHENBUSH. By " alleviate ", doctor, do you mean weaken?

Mr. HUDSON. Weaken.

Mr. RAUSHENBUSH. Thank you.

The CHAIRMAN. Mr. Beebe, did you have knowledge that there was any fear at this time that that arms control conference at Geneva might give consideration to an abandoning of the private manufacture of arms?

Mr. BEEBE. Why, there is always a lot of newspaper talk about giving up or forcing the private manufacturers to give up manufacturing. It crops out in conversation almost every week.

The CHAIRMAN. In this proposed draft that came from the International Congress of Gun Makers held at Paris, we find this article or this proposal [reading]:

> The Congress of Gun Makers adopted the resolution that the private manufacture of arms, munitions, and materials of war should remain free under the reserve of the national regulations and the peace treaties actually in effect which terminated the World War.

Have you discussed that particular phase with any of those who participated in this Paris Conference?

Mr. BEEBE. No; I do not know that I ever met anybody that participated in the Paris Conference.

The CHAIRMAN. Did Mr. Nichols participate in that conference?

Mr. BEEBE. Not that I know of.

The CHAIRMAN. Was he there at that time?

Mr. BEEBE. He was in Europe at that time, according to the letter which Mr. Stone wrote me, but I think he had returned—I think the whole thing was over as far as we were concerned before he returned, according to my recollection.

The CHAIRMAN. This Congress of Gun Makers of Paris was on February 16 and 17, 1925. On March 5, 1925, we find Mr. Stone writing you to the effect that Mr. Nichols had sailed from Europe yesterday. So he was evidently in Europe at the time.

Mr. BEEBE. At the time they had the conference?

The CHAIRMAN. At the time the conference was on.

Mr. BEEBE. That is possible. I do not know. If you will pardon me, Mr. Chairman, if I say, I think you refer to the proposals here in paragraph 5—of course, those are the proposals that they made, not the proposals that our committee made.

The CHAIRMAN. I understand. That is understood. Was "Exhibit No. 824", this draft proposed by the gun makers' convention, offered for the record?

Mr. RAUSHENBUSH. Yes.

The CHAIRMAN. Let that be entered as "Exhibit No. 824."

Senator CLARK. That is, the whole text?

The CHAIRMAN. Yes.

(The draft of convention referred to was marked "Exhibit No. 824" and is included in the appendix on p. 2226.)

The CHAIRMAN. Does the committee think that Annex IV of the report of the Temporary Mixed Commission should be made a part of the record?

Senator CLARK. Yes.

The CHAIRMAN. Then that will be offered as "Exhibit No. 825."

(Annex IV of the report of the Temporary Mixed Commission referred to was marked "Exhibit No. 825" and is included in the appendix on p. 2228.)

The CHAIRMAN. "Exhibit No. 826" is the letter to which we have just referred, dated March 5, 1925, addressed to Mr. Beebe by Mr. Stone [reading]:

> Upon returning after several days' absence. I find your letter of February 20, and thank you for mimeograph copy of a portion of the report of the draft convention.
>
> Mr. Nichols sailed from Europe yesterday and upon arrival will no doubt have something of interest to report on the situation as he has found it over there. A recent letter advised that an officer of the Fabrique Nationale, with whom he has been in close conference, was fully informed on the subject, and Mr. Nichols no doubt will have facts that will be of interest to us all. Under the circumstances, will not undertake to express an opinion regarding the conclusions you have reached but will hold judgment in abeyance until we hear from Mr. Nichols.

(The letter referred to was marked "Exhibit No. 826" and appears in full in the text.)

The CHAIRMAN. Mr. Stone, having written this letter, what information did Mr. Nichols bring back to you from Europe?

Mr. STONE. I recall nothing of particular interest, Mr. Senator, because if Mr. Nichols had come with any fixed opinion as to what the probable outcome was going to be, he would have imparted it to me and Mr. Beebe; we would all have had it.

The CHAIRMAN. What did he say of the Gun Makers Association meeting over there at Paris?

Mr. STONE. Nothing that I recall. Mr. Nichols was not over to attend the gun makers' conference.

The CHAIRMAN. Are you prepared to say that he did not attend that conference?

Mr. STONE. No, sir. But my impression is that he did not, because he would hardly have an entree to it. But I will not speak for Mr. Nichols in that.

The CHAIRMAN. Why wouldn't he have entree to it? You were all working very close together, to the same end.

Mr. STONE. Our contact was with the Fabrique Nationale Co., to whom he refers. I would take for granted that any information Mr. Nichols got from that conference would have been from an official of the Fabrique Nationale. In the first place, Mr. Nichols does not speak French, and I do not believe he would be very comfortable sitting in a conference with those folks.

The Chairman. What did Mr. Nichols have to report on his return concerning this approaching arms-control conference at Geneva?

Mr. Stone. I have nothing specific in mind that he reported, sir. We were all naturally watching the papers to see what the results might be. But such information as we got came largely from the press.

The Chairman. I have before me a letter by the Union of Liége, which I offer as "Exhibit No. 827."

(The letter referred to was marked "Exhibit No. 827" and is included in the appendix on p. 2238.)

The Chairman. This letter is dated the 18th of March 1925, and is addressed to the Winchester Repeating Arms Co., of New Haven, Conn., by the chairman of the association at Liége. I read from that letter:

> Then the congress was, as a principle, against any legislation of exception regarding our trade and industry; it was of opinion that the private manufacture of war arms, ammunition, and material must remain free, always taking into consideration national laws and the peace treaties actually in force.
>
> Finally it was decided that these wishes should not be communicated to the press, but that they would be brought by each of the delegations to the knowledge of their respective governments, requesting at the same time to take these desires into consideration and to add to its delegates in view of the approaching international conference of Geneva (4th May 1925) one or more technical experts thoroughly acquainted with the wishes and requirements of our trade and traffic.

Senator Clark. Who is that signed by?

The Chairman. This is signed by the chairman of the Union of Gun Makers at Liége.

Mr. Beebe, upon receipt of this letter did it at once come to your attention?

Mr. Beebe. No; I do not know, sir. I would have to see if I answered it. I probably did. I have not looked at this file for about 7 years up to the time I got it out for these matters.

The Chairman. While you are seeking to locate any reference to that, I would like to ask Mr. Stone about this letter that has just been read. Was it at once called to your attention?

Mr. Stone. I do not recall it, sir. Possibly it was, but it had been given but passing attention by me, knowing that it would be handled by the one representing the corporation in such matters.

The Chairman. Who represented the corporation in such matters?

Mr. Stone. Mr. Nichols.

The Chairman. Mr. Nichols did?

Mr. Stone. Yes, sir.

The Chairman. Did Mr. Nichols report to you any activity on his part to accomplish the purposes set forth in this letter from Liege?

Mr. Stone. No, sir.

The Chairman. This letter, it is to be noted, suggested getting in touch with delegates to the Geneva Convention when they were appointed, to make sure that technical experts were appointed who were on their guard as respected the interests of the gunmakers. You have no knowledge of any hand taken by your company in reaching those who were to represent the United States at Geneva?

Mr. Stone. No, sir. I have no recollection of any activities. I would rather expect it to be the logical thing to do, sir.

The **Chairman**. Mr. Beebe, on March 28, 1925—but before we move to this, have you found anything to indicate that this letter from Liege was called to your attention?

Mr. **Beebe**. I find this "86", which usually means that is letter number 86, that I dictated to a stenographer a reply. I do not find any in this file here that I brought with me. I do not know whether you have a copy of it. Are you questioning the reply to that letter?

Mr. **Raushenbush**. Did you bring with you only the copies that we had made, Mr. Beebe?

Mr. **Beebe**. Naturally. Well, no; I have some others here, but not very many. Many of those you have with you. But evidently the letter was answered.

Mr. **Raushenbush**. That is all we wanted to know.

Mr. **Beebe**. I will see if I can find the answer.

INTEREST OF GOVERNMENT DEPARTMENTS AND OFFICIALS IN GENEVA CONFERENCE

The **Chairman**. Mr. Beebe, at this time, March of 1925, did you receive a wire from Herbert Hoover, then Secretary of Commerce, inviting you to a conference on the Geneva Conference?

Mr. **Beebe**. I did.

The **Chairman**. The Chair offers copy of this telegram as "Exhibit No. 828."

(The telegram referred to was marked "Exhibit No. 828" and is included in the appendix on p. 2239.)[1]

The **Chairman**. I read from this telegram as follows:

> Winchester Repeating Arms Co.,
> *New Haven, Conn.*
>
> You are invited to send a representative to an informal preliminary conference to discuss the economic phases of the forthcoming Geneva Conference for the control of the International Trade in Arms, Munitions, and Implements of War. The preliminary conference will be held in Washington, Wednesday, April 1, at 9 o'clock in the Department of Commerce Building, Pennsylvania Avenue at Nineteenth Street. It is important that the American representative at Geneva be fully posted as to the views of American manufacturers of sporting arms and ammunition so that he may be able to safeguard their interests. You are earnestly requested to attend and to signify by wire your acceptance of this invitation. Draft convention being mailed you today.

Senator **Vandenberg**. What is the date of that wire?

The **Chairman**. March 28, 1925, sent at 8 a. m., on the morning of that date.

Senator **Vandenberg**. Do you know whether the delegates had been named at that time?

The **Chairman**. Mr. Beebe, do you know how widely this telegram was sent to folks like yourself interested in the industry?

Mr. **Beebe**. I do not believe I have a record of how many it was sent to, but I attended that conference and I should think there might have been 25 or 30 people in the room. I am not positive of that.

Senator **Clark**. Were they all sporting goods manufacturers or did some of them deal in munitions of war?

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[1] Supplemental to this testimony regarding Mr. Hoover's conference, the committee entered a United Press dispatch of a formal statement by Mr. Hoover on Dec. 5, 1934. See Part X.

Mr. BEEBE. Oh, I think there were sometimes 2 or 3 from 1 company. I would not attempt to say, but a committee was later appointed which signed the report, and I think practically all of those people either make sporting ammunition or components of sporting ammunition.

Senator CLARK. But in the conference, who was engaged in the manufacture of munitions of war?

Mr. BEEBE. You mean exclusively munitions of war?

Senator CLARK. Well, preponderantly, munitions of war.

Mr. BEEBE. I do not know.

Senator GEORGE. The Federal Laboratories, for example.

Mr. BEEBE. I do not know that they were in existence then, or not. I do not think that they were.

Mr. RAUSHENBUSH. I do not think they were in existence.

Mr. BEEBE. They were not in existence; no.

The CHAIRMAN. Mr. Beebe, did you have any hand in prevailing upon Secretary Hoover to call this conference?

Mr. BEEBE. No. I think I made the statement before, Mr. Chairman, that I am not positive how he came to call it, but I am inclined to think that Mr. Dulles, or somebody in the State Department, called this meeting, or the Army and Navy and Commerce Departments, but that is merely my impression.

The CHAIRMAN. When you came down here early in February and went with Mr. Nichols to see General Ruggles, did you go also to the Commerce Department?

Mr. BEEBE. I think so, and yet I am not certain of that. I know I went to see Mr. Dulles, because I understood this was a State Department matter and they would probably tell us who had to be consulted, or who would be consulted, or whom we could consult.

The CHAIRMAN. Now, I come back to the question, did you have any hand in prevailing upon Secretary Hoover or the Commerce Department to call this conference?

Mr. BEEBE. I would not have the slightest objection to answering if I knew positively, but I do not recall. I know that several of us talked this over.

The CHAIRMAN. Tell us of the talk that preceded the calling of this convention. How long before you received this telegram was it that you knew there was any likelihood of such a convention being held?

Mr. BEEBE. I am not certain of that. I could not tell unless I could find some correspondence.

The CHAIRMAN. Did you have knowledge before you received this telegram that there was to be such a conference or that such a conference was being considered?

Mr. BEEBE. I think I did. I won't make the positive statement, but I think I did.

The CHAIRMAN. Mr. Stone, did you or your associates have any knowledge that this conference was to be held?

Mr. STONE. Not to my knowledge, sir.

The CHAIRMAN. Did you have any hand in arranging for the holding of such a conference?

Mr. STONE. Not personally. Whether Mr. Nichols was involved in it, I cannot tell you, sir.

The CHAIRMAN. Mr. du Pont, were you at or were you represented at this conference?

Mr. IRÉNÉE DU PONT. We were represented.

The CHAIRMAN. Did you have any knowledge before the call of the meeting that such a meeting was to be held?

Mr. IRÉNÉE DU PONT. Up to 3 days ago I had no recollection whatever of the conference, or the Geneva conference either. Since that time I have consulted with some others in our organization and found some letters, some of which I think you abstracted, which indicated that we were represented there, and I found a copy of a report which I started to present to you before, which gives names of all of those present, apparently [reading]:

> S. J. Gilles, of the Hunter Arms, Inc.; George Livermore, Ithaca Gun Co.; H. F. Beebe, Winchester Repeating Arms Co.; C. L. Rierson, Remington Arms; J. T. Skelly, Hercules Powder; Elliott C. Dill, United States Cartridge Co.; John W. Harrington, Harrington & Richardson Arms Co.; K. K. V. Casey, J. Warren Kinsman, and Aiken Simons, du Pont Co.; F. C. Nichols, Colt Co.; Paul S. Livermore, Ithaca Gun Co.; W. J. Joesting, Western Cartridge Co.
>
> The meeting was called to order by Secretary Hoover, who suggested that the representatives present express their views, and that these views be put in writing and a committee be appointed to represent the interested industries at a later meeting, at which, it was hoped, that the delegates appointed by our Government to attend the Geneva conference would be present.
>
> Mr. H. F. Beebe of the Winchester Repeating Arms Co. was elected chairman of the committee.
>
> It was the unanimous opinion of the representatives of the industries that there were grave objections to the proposed draft in its present form and the following changes or reservations were strongly recommended. Following each recommendation is a short note indicating the reason why it is offered. The recommendations are arranged in the order of articles of the proposed convention, copy of which is attached.

Now, these recommendations and their reasons are rather technical and may be a bit over my head, but, if you will permit, that, I think, should be put in the record.

The CHAIRMAN. Yes; I would like it. Let it be inserted right at this point.

Mr. RAUSHENBUSH. We have it in different form, I believe.

The CHAIRMAN. We have it in different form?

Mr. RAUSHENBUSH. I think so.

The CHAIRMAN. What exhibit is that?

Senator CLARK. May I see that, Mr. du Pont?

The CHAIRMAN. Instead of being offered as an exhibit at this stage, let us wait until we reach another stage of this particular hearing this afternoon.

Mr. Beebe, refreshing your memory as you have had a chance to do on the matter, who do you think was responsible for Secretary Hoover calling this conference?

Mr. BEEBE. I still do not want to express an opinion on that. It would only be an opinion.

Senator BARBOUR. But your opinion is what the chairman wants, if you have an opinion.

Mr. BEEBE. What is that?

Senator BARBOUR. It is your opinion that the chairman wants, if you have one.

Mr. BEEBE. But I do not think I should express an opinion that somebody else did it and then later I might find from some of my own memoranda that it was done some other way. I just do not recollect. This was 8 years ago. I have given everything I can from the records, but I cannot recollect that.

Mr. IRÉNÉE DU PONT. Mr. Chairman, would there be any objection to the press having a copy of that? I am afraid they might put in a very garbled statement of what the situation in Washington was.

The CHAIRMAN. Yes. Mr. du Pont, at the time of this particular event you were president of your company?

Mr. IRÉNÉE DU PONT. I was. I was president.

The CHAIRMAN. And to your knowledge no approach had been made by the du Pont Co. to Secretary Hoover to arrange such a conference?

Mr. IRÉNÉE DU PONT. None whatever, to the best of my knowledge.

The CHAIRMAN. Or having suggested the idea in any way to the Secretary?

Mr. IRÉNÉE DU PONT. I have no knowledge of any such suggestion.

The CHAIRMAN. Mr. Beebe, do you have any recollection of the conference having been suggested to Secretary Hoover?

Mr. BEEBE. I do not recollect one way or the other.

Mr. RAUSHENBUSH. Mr. Chairman, may I suggest that probably Mr. du Pont wants to qualify his statement. He was president of the company at the time, but may not necessarily have had any knowledge of these matters. Is that correct?

Mr. IRÉNÉE DU PONT. I certainly did not have any knowledge of it. I think out of fairness, Mr. Raushenbush, it might have been without my knowledge.

Mr. RAUSHENBUSH. That is what I meant.

The CHAIRMAN. That is what I was trying to establish there.

Mr. RAUSHENBUSH. Yes

The CHAIRMAN. You say to your knowledge it was not done. You have no knowledge that anyone connected with your company did approach the Secretary upon it?

Mr. IRÉNÉE DU PONT. That is correct.

Senator CLARK. Mr. Chairman, I have had an opportunity to examine that report very hurriedly, and I think it is appropriate to say for the record at this point that the first suggestion made by this committee was to eliminate all pistols and revolvers from category 1 of the agreement. I think it will be the unanimous military opinion of the world that a revolver or pistol on occasions is a very handy war weapon.

The CHAIRMAN. Mr. du Pont, I wanted to address myself more particularly to you now. On April 9, 1925, that is to say, about 2 weeks after Secretary Hoover had called for this conference, conference of arms makers, the State Department released a list of United States delegates to the conference. How many of the delegates to the Geneva Conference were contacted by you or by your representatives?

Mr. IRÉNÉE DU PONT. I only recognize one name here, and that is Brigadier General Ruggles. I do not think he was contacted, but that is the only one I even know by name. I do not think any of those were contacted by any of our men. I am quite sure they were not.

The CHAIRMAN. Let the release made by the State Department, under date of April 9, 1925, be marked as "Exhibit No. 829."

(The release referred to was marked "Exhibit No. 829", and is included in the appendix on p. 2239.)

The CHAIRMAN. This shows that those names were:

> Hon. Theodore E. Burton, chairman; Hon. Hugh S. Gibson, American Minister to Switzerland, vice chairman; Rear Admiral A. T. Long, Navy Department.

Senator CLARK. That is our old friend Long, of the Electric Boat.

The CHAIRMAN. That is our old friend Long, of the Electric Boat, I understand [reading]:

> Allen W. Dulles, Chief of the Division of Near Eastern Affairs, Department of State; Brig. Gen. Golden L'H. Ruggles, Assistant Chief of Ordnance.
>
> In addition, there will be attached to the delegation as technical advisers and secretarial staff:
>
> Mr. Charles E. Herring, Commercial Attaché at Berlin; Mr. Alan F. Winslow, secretary of Legation, at Berne; Maj. George V. Strong, of the War Department; and Commander Herbert P. Leary, United States Navy.

Mr. Raushenbush, George V. Strong, that name is familiar.

Mr. RAUSHENBUSH. No; it is a different person.

The CHAIRMAN. It is another Strong.

Mr. IRÉNÉE DU PONT. I said that none of our men had contacted with these men. I should have said after that date. I have before me a letter which you have taken from the files, from which I would like to read an extract of a visit by Aiken Simons to General Ruggles, on March 25.

The CHAIRMAN. What is the date of that?

Mr. IRÉNÉE DU PONT. March 25, 1925.

The CHAIRMAN. That is about 18 days prior to the public announcement of who was to be upon this public delegation to Geneva

Mr. IRÉNÉE DU PONT. Yes

The CHAIRMAN. All right.

Mr. IRÉNÉE DU PONT [reading]:

> As directed, I called on Gen. G. L. Ruggles, Assistant Chief of Ordnance, who is to go to Geneva, Switzerland, as part of the United States delegation to the International Conference on the Limitation of Armament, and stated that I came to put myself at his disposition to be of any possible assistance. General Ruggles replied that he did not need any assistance, and then went on to say that he would like to get information on the location, ownership, and output of powder and other munition plants in Czechoslovakia, especially, and elsewhere in Europe. I gave him, from memory, some information on the Pressburg factory, the reported interest of British capital in Skoda and in Italian plants. the German plan of buying interests in Scandinavian factories, and I will prepare further data for transmission to him. I handed to General Ruggles a copy of our letter of July 31, 1924, to Commander Mayo, of Naval Intelligence, United States Navy, containing data on the gross violations of the Chinese munitions embargo, as well as subsequent data on the same subject.

The CHAIRMAN. Mr. du Pont, just a moment, please. Mr. Raushenbush, why isn't Colonel Simons here?

Mr. RAUSHENBUSH. We have received a doctor's certificate concerning Colonel Simons, stating that he has heart trouble. He is now down in South Carolina, and I believe will not be able to come. We have gone no further into that.

Mr. IRÉNÉE DU PONT. May I read on:

> General Ruggles stated that the United States was committed to the policy of cooperation in the limitation program, and that the following license plan seemed to be the most harmless, that the War Department was firmly committed to the policy of encouraging the private manufacture of munitions in the United States and that the War Department would take care that the Department of State protected such American industries. The license plan is that the country of origin grant a license to export each separate shipment of munitions. Shipments could be made only to recognized governments or to duly accredited representative holding written authority from such governments.

There is some more that is rather immaterial, but he goes on to say:

> General Ruggles said that the policy of the War Department was to aid private manufacturers in the United States, and that the War Department would cause the Department of State to assume a helpful attitude, to which I replied that this had not been done heretofore and might not be done hereafter.
>
> General Ruggles then suggested that the license be put under the Department of Commerce, which I agreed was better.
>
> General Ruggles kept reiterating "would the du Pont Co. object to the licensing system if it were fairly and uniformly enforced, if the State Department put no obstacles in the way of export and backed up the du Pont Co. in the event of illegal seizure of powder in transit by some foreign government." I replied that I did not believe any of those conditions were likely to exist, giving as an instance the Abyssinian arms embargo to which the French are signatory and are the principal violators, but if the license system were universally and fairly enforced, I could see no objection to it.
>
> There were several other items of a similarly vexatious nature which I do not now recall.

Mr. RAUSHENBUSH. Mr. du Pont, may I point out that you skipped a considerable amount of this exhibit? Mr. Chairman, if satisfactory, you could read it all.

The CHAIRMAN. I think we could do best by proceeding with this in an organized way, taking, for example, that first paragraph there. This makes it very clear, Mr. du Pont, that General Ruggles was interested in the same identical provisions relating to the licensing of the industry as the European industry was; isn't that true?

Mr. IRÉNÉE DU PONT. It would seem so.

The CHAIRMAN. And your company was also against the licensing provisions that the European arms makers were protesting?

Mr. IRÉNÉE DU PONT. I know nothing of that.

The CHAIRMAN. Well, Mr. Simons' memorandum at that time would indicate that that was the case.

Mr. IRÉNÉE DU PONT. I know nothing of what they were proposing. I never heard of their proposal until today.

The CHAIRMAN. General Ruggles, when he approved the memoranda from which you have been reading, had stated to Mr. Simons that his mission abroad was absolutely secret, and that he was to sail on April 17. How secret could that have been if he was revealing the fact to Mr. Simons?

Mr. IRÉNÉE DU PONT. Does that say that in the letter?

Mr. RAUSHENBUSH. In the second paragraph, yes; which was skipped.

The CHAIRMAN. In the closing sentence of the second paragraph.

Mr. IRÉNÉE DU PONT. I do not follow that at all.

Mr. RAUSHENBUSH. Take our exhibit on that.

Mr. IRÉNÉE DU PONT. Where do you find this?

The Chairman. The closing sentence of the second paragraph of Colonel Simons' memorandum [reading]:

> General Ruggles stated that his mission was absolutely secret—he is to sail on April 17.

Mr. Irénée du Pont. I do not know that it was not kept secret at that time.

Senator Clark. It was not kept secret from Mr. Simons, as your representative, was it?

Mr. Irénée du Pont. He certainly told Mr. Simons that according to that letter.

Senator Clark. This letter was dated on March 25, over 2 weeks before General Ruggles' final appointment was given out by the State Department.

Mr. Irénée du Pont. I know nothing about it.

Senator Clark. Does it strike you as singular that a delegate to the Geneva Conference, whose appointment was considered as being very secret, should be in close conference with your representative on the subject 2 weeks before his appointment was announced by the State Department?

Mr. Irénée du Pont. All I can say is that apparently he did.

The Chairman. Mr. du Pont, do you know Mr. Allen W. Dulles?

Mr. Irénée du Pont. Who is he, is he in the State Department?

The Chairman. He was in the State Department, but your forces here have just released to the press this memorandum:

> Mr. Allen W. Dulles, who was a member of the——

Mr. Irénée du Pont (interposing). I never met him.

The Chairman (continuing):

> of the American delegation to the Geneva Arms Control Convention, is now associated with the law firm of Sullivan & Cromwell in Wall Street. He is in possession of facts with regard to the Washington Conference preceding the Geneva Conference.

Have you had any recent contact, you, or your associates, with Mr. Dulles?

Mr. Irénée du Pont. I know nothing of him.

Senator Clark. Mr. du Pont, do you know how Colonel Simons happened to contact General Ruggles prior to his appointment to the Geneva Conference?

Mr. Irénée du Pont. I think Colonel Simons has been in the habit of bringing all kinds of information from abroad to the War Department. I imagine he may have been very well known to these officers during the war, as I think he was liaison officer of General Pershing and he, of course, knew a great many of the higher ups in the armies.

Senator Clark. Your idea is that he got this information as to General Ruggles, as to his prospective appointment casually, just through an ordinary visit to General Ruggles?

Mr. Irénée du Pont. Evidently, Colonel Simons went down there to give information to General Ruggles on another matter, offer his services, and I suppose that maybe he returned that information in kind.

The Chairman. Let us read the third paragraph of Colonel Simons' memorandum:

> General Ruggles stated that the United States was committed to the policy of cooperation in the limitation program, and that the following license plan seemed to be the most harmless, that the War Department was firmly committed to the policy of encouraging the private manufacture of munitions in the United States and that the War Department would take care that the Department of State protected such American industries. The license plan is that the country of origin grant a license to export each separate shipment of munitions. Shipments could be made only to recognized governments or to duly accredited representatives holding written authority from such governments. The government issuing these licenses shall compile them and publish quarterly returns showing the origin, destination, nature, and quantity of shipments. Component parts to be finished or assembled in other countries are subject to the same provisions, the firm or factory which is to finish them being substituted for the accredited representative of the government.
>
> When any country shall have reason to believe that materials in or passing through its territory have not been properly licensed or that the destination is other than the ostensible one, it shall hold up the materials and investigate.
>
> There are numerous provisions defining munitions and excepting firearms and ammunition intended for sporting purposes. General Ruggles asked me if I saw any objection to the license system as he outlined, and I replied that I believed it would be observed stringently by the United States, but with extreme laxity, if at all, by other nations. That an unfriendly attitude toward such shipments by the United States State Department was not impossible; that it could be made difficult or very expensive for United States firms to secure such licenses, whereas foreign firms would be assisted by their governments in securing such business. In support of this idea, I cited the indifference, if not hostility, displayed in the case of South American orders by the United States Department of State, as contrasted with the active help given their nationals by the British, French, Italian, and German diplomatic, military, and naval officials. Furthermore, the United States Government would certainly observe the publicity clauses and other nations would not, thereby putting us at a disadvantage, since no nation wished to have the nature and extent of their munition purchases published to possible enemies.

Mr. Beebe seemed to have some assurance at one stage, such as Colonel Simons had, concerning the attitude of Mr. Ruggles and the Department generally. Mr. Beebe, it will be remembered, wrote to others in the industry under date of February 20:

> I get the impression that, in spite of the fact that the United States was a leader in urging the reduction of armaments and there is a feeling on the part of other nations which has been given more or less publicity that the United States is quite willing that arms and ammunitions should be furnished to other countries for war purposes, thereby encouraging strife—

and then he went on in that same letter to tell how there seemed to be a hope of making less drastic provisions applying to war provisions in this particular treaty.

This memorandum dated March 25, 1925, is offered in evidence as "Exhibit No. 830."

(The memorandum referred to was marked "Exhibit No. 830", and is included in the appendix, on p. 2240.)

The CHAIRMAN. Let us turn to the next paragraph following that, the paragraph which I have read from Colonel Simons' memorandum, which reads:

> General Ruggles said that the policy of the War Department was to aid private manufacturers in the United States and that the War Department would cause the Department of State to assume a helpful attitude, to which I replied that this had not been done heretofore and might not be done hereafter.

Mr. Irénée du Pont, are we to draw the conclusion that the War Department was running the State Department at that time?

Mr. IRÉNÉE DU PONT. I do not know, sir.

The CHAIRMAN. Is it fair to draw the conclusion from Colonel Simons' memorandum here that he was, to some degree at least, running the War Department?

Mr. IRÉNÉE DU PONT. If I were in the State Department, I certainly would not accept that as authority for obeying them.

The CHAIRMAN. You would not accept it as what?

Mr. IRÉNÉE DU PONT. I would not accept Mr. Simons' statement of it as my authority for obeying the War Department as against the interests of the country.

The CHAIRMAN. In the next paragraph of that letter it states [reading]:

> General Ruggles then suggested that the license be put under the Department of Commerce, which I agreed was better.

What is your opinion as to that, Mr. du Pont?

Mr. IRÉNÉE DU PONT. Of course, I am not an expert on such matters, but it would seem to me that if this were a commercial transaction in general, that the Department of Commerce would probably be better able to handle it than men whose duties were State and international relations. I do not express myself well.

I should think that the Department of Commerce would be more competent to handle a commercial transaction, probably, than would the State Department.

The CHAIRMAN. Is it not true in matters of this kind that you and others interested in munitions products were finding grave difficulty dealing with or handling it in any way with the State Department?

Mr. IRÉNÉE DU PONT. I did not know that we had; no, sir. I do not think that they ever said very much one way or the other.

The CHAIRMAN. Has not the State Department been rather a stumbling block in all the foreign-arms activities?

Mr. IRÉNÉE DU PONT. This letter implies that they have been, but I know of no occasion where they were unruly.

The CHAIRMAN. Let us read the next paragraph of that letter, which is, to say the least, interesting.

> General Ruggles kept reiterating "would the du Pont Co. object to the licensing system if it were fairly and uniformly enforced, if the State Department put no obstacles in the way of export and backed up the du Pont Co. in the event of illegal seizure of powder in transit by some foreign government." I replied that I did not believe any of those conditions were likely to exist, giving as an instance the Abyssinian arms embargo to which the French are signatory and are the principal violators, but if the license system were universally and fairly enforced, I could see no objection to it.

Is not this an attitude of going to one who is delegated to a conference and then finding that that delegate to that conference is particularly anxious to know just what the personal private interests of an industry are, and of a desire to know definitely what they can get by with over at Geneva that would be approved by your industry?

Mr. IRÉNÉE DU PONT. If I were a delegate to such a congress, I certainly would like to have the reaction of those commercial bodies who would be interfered with by some arbitrary rule which may have been drawn too broadly to serve only the purpose for which it was designed.

The CHAIRMAN. Yes; but the attitude, as expressed here, is one that rather indicates that General Ruggles was fearful that he was going to do something that was going to be displeasing to the du Ponts.

Mr. Irénée du Pont. I do not draw that inference.

The Chairman [reading]:

> General Ruggles kept reiterating—

Colonel Simons said—

> would the du Pont Co. object to the licensing system if it were fairly and uniformly enforced.

And so forth.

He kept reiterating and reiterating, and evidently General Ruggles was very much exercised about precisely what the du Ponts wanted.

Mr. Irénée du Pont. Was not he simply trying to get a definite answer yes or no to the question?

The Chairman. Did he get it?

Mr. Irénée du Pont. He did. We have no objection.

The Chairman. Mr. du Pont, how extensive back in 1924 had been the contributions of the du Ponts to the cause of the two political parties, the major political parties?

Mr. Irénée du Pont. Mr. Chairman, I think that those records were all sent in to you. They should have been. You asked for them. I am not familiar with any but my own, and I have forgotten them.

The Chairman. The record is not complete, and there are a number whose contributions we are wanting to know about there, but without a half a dozen or more there, the total contributions to the Republican Party in 1924 were $34,096.64.[1]

Mr. Irénée du Pont. For how many men?

The Chairman. From all excepting those six or seven from whom we have no report.

Mr. Irénée du Pont. What does that aggregate, about 30?

The Chairman. $34,000.

Mr. Irénée du Pont. I mean how many men? Thirty men?

Mr. Raushenbush. Twenty-nine.

The Chairman. Twenty-nine men. Do you suppose there could have been any relationship between those contributions and the attitude of General Ruggles?

Mr. Irénée du Pont. Certainly not.

The Chairman. Or the attitude of Secretary Hoover?

Mr. Irénée du Pont. Certainly not.

The Chairman. As we read this we find that General Ruggles was reminding Colonel Simons that the League committee had at one time considered several plans which Colonel Simons described as "vexatious." Let us read that language:

> General Ruggles then referred to document A–16–1924–IX and read extracts from another plan openly intended to limit the private manufacture of munitions; some of the features of this proposed plan are:
>
> All companies manufacturing or selling munitions shall give full publicity to their records, their stock ownership, sales, and profits.
>
> They must not own even in part any newspaper or publish or attempt to publish any propaganda tending to create war scares or influence any government to purchase munitions.
>
> They must not have any employee or representative who is a member of any legislative body.

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[1] Hearings, Part V, appendix, p. 1403. Balance of campaign contributions appear in the appendix to this volume on p. 2268.

Then Colonel Simons goes on to say:

> There were several other items of a similarly vexatious nature which I do not now recall.

Then continuing with the memorandum [reading]:

> I told General Ruggles that such an agreement would cause the private powder manufacturers to go out of business and would therefore act to the disadvantage of the United States Government. To which he replied that the War Department would not favor such a plan and that the license system would keep powder out of the hands of insurrectionists, savage tribes, etc.
>
> General Ruggles also mentioned that international embargoes were contemplated on the following regions:
>
> Those parts of Africa covered by the Brussels Convention in the closing years of the nineteenth century. (That is the Congo-Free State.)
>
> All of Africa now administered by British protectorates covering former German colonies.
>
> The Red Sea, the Gulf of Aden, and the Arabian Sea.
>
> Persia, who has protested that she is a sovereign state and can purchase what, where, and when she chooses; which protest will probably be sustained.
>
> Turkey, who has also protested and since Turkey has "come back" in a military sense the protest will probably be sustained.
>
> General Ruggles asked if I thought the du Pont Co. would protest against the African embargo, and I replied that I thought not.
>
> General Ruggles asked if we had any prospects in continental Asia. I replied that with the vague possibility of business with Siam we had not.
>
> In the course of the discussion the following points were called to General Ruggles' attention, which apparently were previously unknown to him:
>
> That the manufacture and sale of powder had been a government monopoly in France since the reign of Francis I.
>
> Due to the encouragement of the German Government, Mauser rifles are used by all South American countries, Krupp guns by practically all, and Rottweil or other German powders by many of them, so that Germany was sure of suitable war supplies at all times, the cost of upkeep being borne by foreign peoples.
>
> That English capital is invested in many munitions plants on the continent, notably Skoda, Vickers Terni at Spezia in Italy, Armstrong at Puzzoloni in Italy, etc.
>
> That in open violation of the Treaty of Versailles the Germans shipped munitions to the Argentine.
>
> That Rottweil still makes and sells excellent military powders and German factories for munitions have been built or openly offered to build in Spain, Argentine, Mexico, etc.
>
> The publications referred to by General Ruggles have been ordered.

The memorandum is signed by Aiken Simons.

You were tied up in Argentine with the Köln-Rottweiler people, were you not?

Mr. Irénée du Pont. What do you mean by "tied up"? We were competitors there.

The Chairman. Do you have any agreements with them?

Mr. Irénée du Pont. No.

The Chairman. You had no relation with them at all?

Mr. Irénée du Pont. I do not think we had any relation with them on military matters. Köln-Rottweiler is now a part of the I. G., if I remember right.

Mr. Raushenbush. The firm of Köln-Rottweiler, I thought, came in with the Argentine powder factory question. I do not know whether it was at this time or later.

Mr. Irénée du Pont. They put in a bid in competition with the bid you found a little fault with our not having carried out.

Mr. Raushenbush. That is right.

Mr. Irénée du Pont. I think they were the competitor mentioned in that testimony. I think that is correct. I have not heard of it anywhere else.

The CHAIRMAN. You have knowledge that the English have interest in Skoda as well as the French? Do you have personal knowledge of that?

Mr. IRÉNÉE DU PONT. Not until I read this.

The CHAIRMAN. But at the opening of the Arms Control Conference, Mr. du Pont, it became known among the munitions people that considerable English, French, and German interests were combined against these effective regulations?

Mr. IRÉNÉE DU PONT. I did not know that; no, sir.

The CHAIRMAN. Your Colonel Simons evidently had knowledge that there was that sort of an understanding.

Mr. IRÉNÉE DU PONT. I did not get that out of this letter; no, sir. Did he say there was an understanding on the part of foreigners here? I missed it, if he did.

The CHAIRMAN. They were all opposing.

Mr. IRÉNÉE DU PONT. I did not know that; no, sir.

The CHAIRMAN. You did not know that?

Mr. IRÉNÉE DU PONT. I did not know that; no, sir.

The CHAIRMAN. I think the entire letter has been read, but for the purpose of identification I suppose it should be given a number. Let that be numbered "Exhibit No. 830."

(The letter referred to was marked "Exhibit No. 830" and is included in the appendix on p. 2240.)

The CHAIRMAN. Mr. Beebe, on March 31 you were having conferences with various officials. Who were they?

Mr. BEEBE. March 31? You mean in our company? Let me see if I can get the reference. If so, perhaps I can find out.

The CHAIRMAN. Were you not having conferences at that time here in Washington?

Mr. BEEBE. I am not certain but I would not be surprised.

The CHAIRMAN. You were getting together for that conference that Secretary Hoover had called?

Mr. BEEBE. Yes, sir. March 31? Yes, sir; I think so.

The CHAIRMAN. Did you go to the State Department and there call attention to the fact that there was some feeling around that there must be disagreement or, rather, lack of agreement between the War Department, the State Department, and the Commerce Department?

Mr. BEEBE. Disagreement?

The CHAIRMAN. And that the Secretary of Commerce had called for this conference without referring it to the Secretary of State or to the Department of State?

Mr. BEEBE. I do not remember any such thing.

The CHAIRMAN. Did you call up an individual within the State Department and call his attention to that feeling, that spirit among the munitions people?

Mr. BEEBE. That there was controversy between them?

The CHAIRMAN. That there was some misunderstanding.

Mr. BEEBE. It is possible.

The CHAIRMAN. And that there ought to be some explanation offered as to why the Secretary of Commerce rather than the Secretary of State had called this conference?

Mr. BEEBE. I do not remember; it is possible.

The CHAIRMAN. Was there any explanation made when the conference was finally called as to why the Secretary of Commerce had called the conference himself?

Mr. BEEBE. I thought it said in that report that he had called it to give them an opportunity to express their views. It says "invitation extended to representatives to discuss the economic phases of the proposed draft for the control of international trade."

The CHAIRMAN. You have there a copy of his address before that conference?

Mr. BEEBE. Mr. Hoover's?

The CHAIRMAN. Yes, sir.

Mr. BEEBE. No, sir.

The CHAIRMAN. From what were you reading?

Mr. BEEBE. I was reading from the final report of the committee, in which we said, "Pursuant to invitation extended to representatives of the small arms" and so forth—to discuss the economic phases, I think that is the way the telegram read. I am not certain.

The CHAIRMAN. Mr. du Pont, some time later, on February 22, 1928, to be exact, your Colonel Simons wrote a letter, which was found in the Wilmington files, which reads in part as follows:

> * * * In the spring of 1925 it became known that an international congress was to be held at Geneva for the purpose of limiting the exportation of munitions, and that it was probable that efforts were to be made by certain foreign elements to prohibit the private manufacture of munitions. On March 28, 1925, Mr. Hoover, Secretary of Commerce, telegraphed a number of American manufacturers of arms and munitions inviting them to attend a conference to be held in Washington on April 1. This conference was presided over by Mr. Hoover in person and was attended by representatives of a number of industries.

It was further pointed out at that time by Colonel Simons:

> It is believed that by the action of Mr. Hoover in appointing this committee and the committee's subsequent work, the Geneva Conference was prevented from adopting international agreements which would have been burdensome to American manufacturers, and, so far as I know, the committee has never been dissolved. * * *

Mr. IRÉNÉE DU PONT. Where is that last?

The CHAIRMAN. That is on the second page, the last paragraph.

This letter finds Colonel Simons crediting Mr. Hoover as Secretary of Commerce with the put-out and the committee with an assist, in that particular, in making a failure of that Geneva Conference, does it not?

Mr. IRÉNÉE DU PONT. I never thought it was a failure. I thought they passed different things which are before the different governments for ratification.

The CHAIRMAN. As we go along we will see how the industry looked upon the things adopted.

Mr. IRÉNÉE DU PONT. This says we were against it because of objections in connection with sporting things, not military.

The CHAIRMAN. We will let the letter of February 22, 1928, by Mr. Simons, which was addressed to the Sporting Arms & Ammunition Manufacturers' Institute, be incorporated as "Exhibit No. 831."

(The letter referred to was marked "Exhibit No. 831" and is included in the appendix on p. 2242.)

The Chairman. I have here another memorandum by Aiken Simons, under date of April 2, 1925, which I offer for the record as "Exhibit No. 832."

(The memorandum referred to was marked "Exhibit No. 832" and is included in the appendix on p. 2243.)

The Chairman. I read from this memorandum [reading]:

> Called on General Williams to discuss the proposed international regulations for the limitation of private manufacture of munitions. General Williams expressed himself very frankly as being entirely in sympathy with our view that the private production of munitions in the United States is essential to national defense and should not be interfered with.
>
> Called on General Ruggles and found there Mr. Nichols, of the Colt Firearms Company and Mr. Beebe, of the Winchester Company. The same matter of proposed limitation was discussed with General Ruggles, who stated that he was opposed to licenses on the following grounds:

Do you recall that conference, Mr. Beebe?

Mr. Beebe. I said I remembered going with Mr. Nichols to that office. I did not specifically remember what was discussed, but that may have been it.

The Chairman. According to this memorandum, General Ruggles "stated that he was opposed to licenses on" these grounds. [Reading:]

> (*a*) Should the United States grant such licenses they might possibly become subject to damages such as arose from the claim of the United States Government against Great Britain for the fitting out of the C.S.S. *Alabama*.
>
> (*b*) It is possible that this license system might interfere or be thought to interfere with the strict observance of neutrality.
>
> (c) This system would tend to work a disadvantage to small and nonindustrial nations possessing no factories, and has been protested by Brazil and Persia.
>
> (*d*) Federal licenses would add to red tape, vexation, and bother, and would tend to discourage American exports.

Continuing to read from Mr. Simons' memorandum, he states:

> At the request of Mr. Beebe, the writer is to serve as vice chairman of the executive committee and to handle the actual details of business. Mr. Beebe handed the writer the resolutions adopted by the French gunmakers in opposition to this proposed agreement, which are essentially the same as the objections of the American manufacturers. These resolutions have been translated and are now available.

Do you remember about that conference with General Ruggles that day, Mr. Beebe? That is, do you remember sufficiently well to say that Mr. Simons has not properly represented General Ruggles' attitude?

Mr. Beebe. No. I do not know what General Ruggles may have said to him, but I do not remember any such lengthy conversation while Mr. Nichols and I were there. It may have been. I do not think he discussed it anywhere near as fully as Major Simons said he did with him.

The Chairman. Here is General Ruggles, delegated to the conference at Geneva, to represent the United States, setting forth to you his reasons for being against certain provisions of that thing which was to be taken under consideration at that time. And then he went on even further, according to Colonel Simons' memorandum, stating that the objections of the American munitions people were the same as the objections which had been raised by the French munitions people.

Mr. RAUSHENBUSH. That is Mr. Beebe who acknowledges that.

Mr. BEEBE. Acknowledged what?

Mr. RAUSHENBUSH. It is Mr. Simons who acknowledges it.

The CHAIRMAN (reading):

> Mr. Beebe handed the writer—

that is Mr. Simons—

> the resolution adopted by the French gunmakers in opposition to this proposed agreement * * *.

Mr. BEEBE. That is right.

The CHAIRMAN (continuing reading):

> which are essentially the same as the objections of the American manufacturers. These resolutions have been translated and are now available.

The point I made was this: General Ruggles was made aware, evidently, that the French munitions people and the American munitions people were seeing eye to eye upon that particular issue.

Now we come to the exhibit Mr. du Pont made some reference to, being a report of the arms conference held at Secretary Hoover's call.

Mr. Beebe, I would like to call your attention to the fact that in this report of this meeting with Mr. Hoover, a number of the American munitions people agreed with the Europeans in being against the license. Was that an agreement reached at that meeting?

Mr. BEEBE. If we agreed on that, it is probably in the final report here.

The CHAIRMAN. Let it be offered for the record as "Exhibit No. 833."

(The document referred to was marked "Exhibit No. 833" and is included in the appendix on p. 2243.)

Mr. BEEBE. Which is that?

Mr. RAUSHENBUSH. The report of the meeting.

Mr. BEEBE. Proposed draft.

The CHAIRMAN. Article 3 suggested in that proposed draft is as follows:

> Subdivisions 1 to 6, inclusive. "The customs and shipping documents, including the consular invoice, shall be accepted in lieu of a license."

This was the proposal of the industry now. [Reading:]

> NOTE.—The delays attendant on securing license would seriously handicap legitimate business, and all the data and publicity necessary or desirable could be obtained from the documents now filed with both exporting and importing countries.

Here we come to a point where there had been assurance from General Ruggles and from other authorities, it would seem, including General Williams, that everything was to be "hunky-dory" and quite all right, and that there was not much to worry about in that Geneva Conference, and yet, Mr. Beebe, we find you are writing to Congressman Tilson, who is now over in Europe, urging him to do what he could, on April 6, in a letter which I offer as "Exhibit No. 834." I think it need not be read at this time. It is merely a plea to Mr. Tilson that he says that everything possible will be done to acquaint those who are going to have a hand in the conference with the interests of the American gunmakers.

(The letter referred to was marked "Exhibit No. 834" and is included in the appendix on p. 2245.)

The CHAIRMAN. At the same time, Mr. Beebe, you were writing to Senator Bingham and to Senator Burton, urging their continuous cooperation in the accomplishment of an understanding.

Mr. BEEBE. Yes, sir.

The CHAIRMAN. Were you not?

Mr. BEEBE. I believe I did, but I think those letters were principally enclosing copies——

The CHAIRMAN. It had to do with the Geneva Conference?

Mr. BEEBE. Yes; but the one I sent to Colonel Tilson was to send him a copy of the report of all the manufacturers.

The CHAIRMAN. That is right. How violent were you people in this conference that Secretary Hoover had called at your insistence upon changes in the provisions of that Geneva draft?

Mr. BEEBE. How violent?

The CHAIRMAN. How many of you spoke right out in opposition to it and said you were against the convention which was being proposed there?

Mr. BEEBE. I do not remember how many, but I imagine that quite a number of them said that they did not believe it was a practical solution and would injure the sporting-goods business. That was, I think, the general thought before they appointed this subcommittee.

The CHAIRMAN. All of this time you were keeping in pretty close touch with the union of arms manufacturers at Liége, telling them about your conference and your activities here?

Mr. BEEBE. I may have written them a letter or two telling them that we were doing it. That is all I remember. I never had anything further from them, as I remember, beyond those letters where they sent their proposals. I may have sent them one of ours. I would have to look at the record to say.

The CHAIRMAN. Mr. du Pont, at this same time it appears your Mr. Casey was writing to General Rice, in Paris, urging the General's cooperation with General Ruggles. Who was General Rice?

Mr. IRÉNÉE DU PONT. General Rice was attached to our Paris office as a military expert on different war materials, such as shells, guns, and what ammunition would fit them.

The CHAIRMAN. Mr. Casey sent to General Rice a letter which I offer as "Exhibit No. 836."

(The letter referred to was marked "Exhibit No. 836" and is included in the appendix on p. 2245.)[1]

The CHAIRMAN. In this letter he stated:

> You will probably receive a personal letter from General Williams, with whom I have discussed the matter, and I can confidently state that General Williams believes that any steps which would hamper the private manufacture of munitions in the United States would be extremely detrimental to our national defense.

So that General Williams, according to this, who was General Ruggles' superior, was taking an attitude that the protests of the private manufacturers against the convention were quite proper and quite all right?

Mr. IRÉNÉE DU PONT. I gather so.

---

[1] There was no exhibit marked "No. 835."

The Chairman. But that was contrary to the announced State Department policy in accepting an invitation to the conference.

Mr. Irénée du Pont. I do not see it so; no. As I understand it, this meeting in the Commerce Department was to protect sporting powder and sporting rifles and ammunition. I do not see that there is anything inconsistent in that.

Mr. Raushenbush. Then, why all the struggle against the license system, Mr. du Pont?

Mr. Irénée du Pont. That license system applied, I thought, to sporting goods, sporting powder, sporting components, and the ammunition.

Mr. Raushenbush. And categories 1 and 2.

Mr. Irénée du Pont. And categories 1 and 2.

Mr. Raushenbush. Which are the military categories.

Mr. Irénée du Pont. But with governmental approval only.

Mr. Raushenbush. It will appear shortly that when article VI and article V were rewritten, after all of these objections, they were very different than in the draft convention, and the State Department, of course, in its releases when accepting the invitation to this conference accepted the principle outlined here and that has been stated, I believe, in some of the correspondence.

Mr. Irénée du Pont. Well, I am not at all familiar with that document you have before you. I have never seen it. I can reiterate this: That the du Pont Co. did send representatives to a meeting in Washington held prior to the Geneva Conference on International Trade in Arms and Ammunition. The facts about this meeting, so far as the du Pont Co. is concerned, are as follows:

At the call of the United States Government, the du Pont Co., among others, was invited to send representatives to attend a conference in Washington on April 1, 1925, prior to the Geneva Conference on Supervision of International Trade in Arms and Ammunition. This conference was called at the request of the State Department by Mr. Hoover, then Secretary of Commerce.

Mr. Raushenbush. Pardon me a minute, Mr. du Pont. Are you reading this from your own information?

Mr. Irénée du Pont. This is what was boiled down and written for me, but it states the entire position of the du Pont Co., and it is apropos to this particular thing you ask about.

Mr. Raushenbush. Was it written by one of the members who was there at that conference?

Mr. Irénée du Pont. No, sir.

Mr. Raushenbush. Then how would he know what went on, if he was not at that conference?

Mr. Irénée du Pont. We got the records and went over them. This covers all of the du Pont activities in connection with the du Pont Co.

Mr. Raushenbush. The question of what all of the activities of the du Pont Co. are is not in point. You admitted a little while ago that you had not known that your delegates knew way back in the early part of March or your representatives knew in the early part of March something that the general public did not know at all until April 9, that General Ruggles would be one of the delegates. Now, is that included in your statement as all that happened at the du Pont Co.?

Mr. Irénée du Pont. Did you say the early part of March? I didn't hear anything in the letter about that.

Mr. Raushenbush. The 25th.

Senator Clark. Before the 25th of March—before General Ruggles' appointment.

Mr. Raushenbush. You are prefacing that with the statement that that is a complete statement of all of the du Pont activities?

Mr. Irénée du Pont. With the Geneva Conference?

Mr. Raushenbush. With the Geneva Conference.

Mr. Irénée du Pont. Yes.

Mr. Raushenbush. Don't you care to change that and say that it is an incomplete statement of all of the du Pont activities?

Mr. Irénée du Pont. No; I do not.

Mr. Raushenbush. Mr. Chairman, might I suggest, in fairness to Mr. Irénée du Pont, as to his being allowed to read this statement, that after we are through with our questions perhaps he will want to change it.

The Chairman. I am sure he will want to change it.

Mr. Irénée du Pont. Ask the questions, sir. I am sorry to have interrupted at the wrong time.

The Chairman. With reference to this "Exhibit No. 836", a letter to General Rice by Mr. Casey, it says:

> The purpose of this letter is to advise you of the situation and to request that you give General Ruggles any aid you can. I have no one better fit to give this aid, and I am sure General Ruggles will appreciate the necessity for it and accept it gratefully.

Now let us move to what the Chair will ask to become known as "Exhibit No. 837."

(The report referred to was marked "Exhibit No. 837" and is included in the appendix on p. 2246.)

The Chairman. This is a report by Mr. Aiken Simons on the conference held with Secretary Hoover.

I note first of all, Mr. du Pont, that your company knew on March 11 that General Ruggles was going to be appointed to this Geneva conference. That was days in advance of the public announcement. Let us read what Mr. Casey had to say about that very matter. That is the second paragraph of this memorandum.

> On March 11 this division learned from friends of the General Staff in Washington that the General Staff had been called on to prepare studies to be used by the American delegation at a convention to be held at Geneva in the near future for the purpose of considering the control of the arms traffic. Major Casey discussed this matter with General Williams, the Chief of Ordnance, United States Army, who told him confidentially that Brigadier General C. L. Ruggles would probably be one of the delegates, and suggested that Major Casey confer with General Ruggles in this regard.

Does not that give the du Ponts what may very fairly be declared an unfair advantage over the rest of the American people?

Mr. Irénée du Pont. No, sir.

The Chairman. It does not?

Mr. Irénée du Pont. Not a bit.

The Chairman. Isn't there something wrong with having information as to who is to be delegated to the conference?

Mr. Irénée du Pont. You will note the word "probably" there, which meant it had not been definitely determined; and even if it had been definitely determined, I do not see how it would give us any unfair advantage.

The CHAIRMAN. Mr. Casey was right on the job here all the while to determine as much in advance as he could who was to be on the delegation. Why would he be so anxious to know this?

Mr. IRÉNÉE DU PONT. I did not know that we were so anxious to know it.

The CHAIRMAN. Well, it would require some anxiety, it seems to me, to ascertain——

Mr. IRÉNÉE DU PONT. You must remember that both Mr. Simons and Mr. Casey were in the habit of conferring with Army officers in the regular course of their work. That was a part of their job, to report everything they knew tending toward preparedness. I do not think it is anything unusual or any unfair advantage that he should have gotten that probable information. I do not see what harm it could do.

The CHAIRMAN. We find in this memorandum Mr. Casey objecting to the publicity provisions of the proposed convention, and turning to page 4 of that memorandum I think we can find things there that ought to be referred to momentarily, at least.

> Major Casey replied to this by stating that the publicity now existed through the publication of export statistics and the control existed by the power of the President of the United States to place an embargo on the shipment of arms to any region or country which in his judgment was unsettled or revolutionary.
>
> Mr. Hoover replied that the point at issue was whether the United States would subscribe to and live up to the convention in question.
>
> Major Casey then gave a number of instances of gross violations of the Chinese arms embargo by all the nations signatory thereto excepting the United States, these instances being based on published newspaper reports and the confidential letters of Commander Gillis.

Who was Commander Gillis?

Mr. IRÉNÉE DU PONT. I could not tell you offhand.

Senator CLARK. Was he the same man who represented the du Pont Co. in China?

Mr. IRÉNÉE DU PONT. I imagine he was.

Senator CLARK. Former naval attaché of the American Embassy in China.

The CHAIRMAN. I read on.

> Mr. Nichols of the Colt Co. stated that in view of the high business standards of the United States manufacturers as contrasted with their European competitors, he saw no reason why the license system would be of any advantage as applied to the United States, that United States exporters of munitions were greatly handicapped by the hostile attitude toward them of the United States Department of State whereas European manufacturers were not only aided by their foreign officers, but that army, navy, and diplomatic representatives of foreign governments actually assisted the sale of such items.
>
> Mr. Hoover concurred to this, saying that the larger munitions such as ships, heavy guns, etc., of European manufacturers were actually sold by government officials of those countries.

Is that a complete departure from our practice here in America?

Mr. IRÉNÉE DU PONT. I could not tell you.

The CHAIRMAN. I think the record pretty clearly reveals that Europe has not anything on us when it comes to aiding their munitions industry.

Mr. Irénée du Pont. Mr. Hoover evidently did not agree with you on that. He concurred in it.

The Chairman. We find Mr. Casey again making reference on page 6, I believe it is, at the top of the page:

> Mr. Hoover then asked what was the difference between the verbal approval mentioned by Major Casey and written documents, and if there was any division in opinion in the United States Government by the various departments.
>
> Major Casey stated that there always had been a difference in opinion between the Department of State on one hand and the War and Navy Departments on the other.
>
> Mr. Nichols, Mr. Rierson, Mr. Dill, and Major Casey all stated that their companies did not do business with shady characters or gun runners.

I wonder if Mr. Casey could reiterate that statement at this time.

Mr. Casey. I can repeat that, Senator Nye.

The Chairman. Yes; you can repeat that.

Mr. Casey. Yes; my sore throat permitting.

The Chairman. How?

Mr. Casey. I say, my sore throat permitting.

The Chairman. In the light of what the record already contains concerning the activities in the sale of munitions abroad and the character of people who are engaged in the sale of these muntions?

Mr. Casey. Yes, sir.

The Chairman. All right. Mr. Casey goes on—well, before leaving that, Mr. du Pont, you gather, as I do, that Mr. Casey does not have much use for the State Department in connection with the du Pont relations?

Mr. Irénée du Pont. My impression is that Casey's testimony before was that the State Department would not say "yes" or "no" and that the War Department always said "yes."

The Chairman. It would be a mighty nice thing, going back to a matter we discussed early in the afternoon, to transfer all authority, if authority there was going to be, from the State Department to the Commerce Department.

Mr. Irénée du Pont. It might be profitable.

The Chairman. Mr. Casey also has this to say in this memorandum:

> Mr. Hoover then turned to article 25, which states that in time of war articles 2 to 6, inclusive, shall be considered as suspended.
>
> Major Casey then asked, "When does war start?" and stated that wars frequently commenced 10 years before the first shot was fired.

Now, just what is the meaning of that?

Mr. Casey. The European war started with the decline of the Roman Empire.

The Chairman. It seems to me that the meaning is precisely this: That the last war started at the time that we were trying to make the point of this morning, back there in 1908 and 1909, when the industry was setting its sails for what was going to be an era of grand big business, that ultimately did come to pass.

Mr. Raushenbush. Mr. Chairman, there is no implication, I take it, in your statement that Major Casey was wrong in saying that wars frequently commenced ten years before the first shot was fired?

The Chairman. None at all.

Mr. Irénée du Pont, do you know whether the State Department knew or had knowledge that the Secretary of Commerce was facilitating the protests of the manufacturers in every possible way at that time?

Mr. Irénée du Pont. I have no knowledge; no, sir.

The Chairman. You read on page 9 of Mr. Simons' memorandum:

> Mr. Hoover then stated that he wanted the protests of the manufacturers to be facilitated in every way possible and Mr. Beebe would be at liberty to use Mr. Hoover's name in writing the other manufacturers.

Mr. Beebe, just what was the meaning of that?

Mr. Beebe. When we have any business difficulties, where we feel that we should have Government advice, so to speak, or help, we used to go to the Department of Commerce, quite naturally. We put this matter up to the Department of Commerce on account of what we thought were very severe regulations, and Mr. Hoover in stating that we could use his name meant that we could call the meetings under his name, as I understand it. That is all I should understand from that statement.

The Chairman. Mr. Beebe, did you let your European correspondents or your friends there know how you had taken the Department of Commerce into camp on this issue?

Mr. Beebe. I do not know that I quite understand that "taking them into camp," Mr. Chairman.

The Chairman. Perhaps if we read a little further on in Mr. Simons' memorandum you will understand better what is meant:

> On the morning of April 14 the executive committee of the manufacturers met and drew up their final report which was presented at a meeting held that afternoon, presided over by Mr. Hoover and attended by Admiral Long, General Ruggles, Major Strong, Mr. Dulles, and Mr. Mariner, both of the State Department, Mr. Domeratzky and Mr. Hoagland, both of the Department of Commerce, and the executive committee consisting of Messrs. Beebe, Simons, Nichols, Rierson, and Harrington.
>
> Mr. Hoover stated that the United States will have to agree to some form of licensing but that he intended to have a system whereby all United States customs commissioners would have absolute instructions to issue licenses automatically upon presentation of a consular visa and that every effort would be made by the United States Government to eliminate red tape, delay, or hindrance. In the case of some large and purely military materials such as heavy guns, battleships, etc., it might be necessary to refer the matter to Washington, but that even then every effort would be made to eliminate delay or annoyance to the manufacturer.
>
> Admiral Long stated that this was now practically the case in regard to large orders; for example, the New York Shipbuilding Company secured the approval of the United States Navy Department before undertaking to build oil tankers for Japan. Possibly submarines might present some difficulties but that he thought that even that might be overcome.

The closing paragraph in Mr. Simons' memorandum is of interest:

> With the reservation made by the United States Government and the presence at the conference of Admiral Long, United States Navy; Commander Leary, United States Navy; General Ruggles, United States Army; and Major Strong, United States Army, all of whom are familiar with our point of view, it is believed that the interests of the du Pont Co. and our customers will be properly looked after.

Mr. Raushenbush, is Major Strong now at Geneva?

Mr. Raushenbush. Yes, sir; but this is a very different officer than the one we had.

The CHAIRMAN. This is not the same man?

Mr. RAUSHENBUSH. No, sir. The other one was a naval officer. This is a very different type of individual.

The CHAIRMAN. A little after the time of this memorandum, Mr. du Pont, while the Geneva Conference was going on, your company was the recipient of this message from a newspaper correspondent:

> We have a private message from Paris stating that "a certain foreign government" is reported investigating the activities in central European nations of Colonel Taylor, chief agent of the du Ponts in Europe. Purpose of the investigation is to find a possible connection with Senator du Pont and the White House. The good faith of the United States in the Arms Conference is involved. Taylor's assistant, Brigadier General Rice, who was at Geneva last week, sailed Wednesday on the steamship *France*. Can you get us anything from the du Pont angle on Taylor's activities at the present time, and of any possible special duties to which he may have been assigned which in any way might lead to complications in the arms parley through association with Senator du Pont?

And then there follows the reply sent as an official statement from the du Pont Co. This entire memorandum was signed by Charles K. Weston of the publicity bureau [reading]:

> Colonel Taylor is the du Pont Co.'s commercial representative in Europe with headquarters in Paris. He has been there in that capacity for 5 or 6 years. Neither he nor his assistant has any mission directly or indirectly concerned with the Arms Conference or with Senator du Pont, who is in no way connected with the du Pont Co. The du Pont Co. has no contact of any sort with the Arms Conference.

(The letter referred to was marked "Exhibit No. 838" and appears in the appendix on p. 2255.)

The CHAIRMAN. Mr. du Pont, in light of the letter written to General Rice at Paris, was this statement to the press quite as frank as it might have been?

Mr. IRÉNÉE DU PONT. I think it is perfectly correct. This is a letter to General Rice telling him to make himself useful to General Ruggles. It is purely a personal matter. It had nothing to do with the du Pont Co. He was an expert on military matters, and that is why his services were offered to the Government.

The CHAIRMAN. Mr. Beebe, you received under date of April 24, 1925, the following letter from John Q. Tilson, written in Paris:

> My secretary forwarded to me your letter with enclosure relating to the Geneva Conference which I am very glad indeed to have. It appears that I am to be designated either as a technical adviser or in some other capacity to attend this conference. I shall, therefore, be very glad to have any information that you may be able to give relating, either to the general subject, or to the interests of your company in particular. It is my desire to know as much as possible about the subject and I am sure that your advice will be helpful. Address me care of The Military Attaché, American Embassy, 5 rue de Chaillot, Paris.
>
> My appointment to Geneva has not been announced, so far as I have seen, and in the letter to me from the War Department the matter was marked "confidential", therefore unless the publication of the matter has been made it will be best to say nothing about my connection with the Conference.
>
> With best wishes, very sincerely yours,
>
> JOHN Q. TILSON.

That will be offered as "Exhibit No. 839."

(The letter referred to was marked "Exhibit No. 839" and appears in full in the text.)

The CHAIRMAN. That was followed by another letter under date of May 19, 1925, from Mr. Tilson to Mr. Beebe, which I will offer as "Exhibit No. 840."

(The letter referred to was marked "Exhibit No. 840" and appears in full in the text.)

The CHAIRMAN. This letter reads as follows:

> I have just returned from a trip to Scandinavia and find your letter, memoranda, catalog, etc. Captain McCuen had already sent me copies of the memoranda, much of which has been published in connection with the preliminary draft for the Geneva Conference, and I had fairly familiarized myself with it all. Before Senator Burton left Paris I went over the entire matter with him and explained to him as far as possible where danger lies.

Let it be noted that Senator Burton was the chairman of the American delegation to that conference.

> As you know Senator Burton is one of the biggest men now in American public life, but unfortunately one of the few things on which he is not well informed is the subject of firearms. Like all great men, however, he is willing to learn, and I have tried to give him all the assistance possible in connection with this particular matter.
>
> With best wishes, very sincerely yours,
>
> JOHN Q. TILSON.

We have here a picture of the House majority leader of the Congress of the United States in effect straddling the necks of the delegates to that Arms Conference in Geneva and actually representing your company and the Remingtons, while acting as a confidential technical adviser for the United States Government.

Mr. Beebe, is that a reasonable set-up?

Mr. BEEBE. Mr. Chairman, all I can say is that of course you have expressed your own opinion. We believe that anybody who is interested in any convention, any matter in Congress, if a Representative in Congress, wants to be informed on all sides of a question. It is then for him to decide according to his own conscience.

The CHAIRMAN. Who would you deal with there in that problem?

Mr. BEEBE. Who what?

The CHAIRMAN. Who would you deal with in order to get that interest across in that conference? Who would you go to?

Mr. BEEBE. We would go to our own Senators and Representatives.

The CHAIRMAN. Would you go to one who was attached to the conference?

Mr. BEEBE. We had no knowledge he was attached to the conference until he wrote me this letter.

The CHAIRMAN. That is it exactly.

Mr. BEEBE. Until he wrote me this letter.

The CHAIRMAN. You were not at all disappointed when you found he was attached to the conference, were you?

Mr. BEEBE. I do not think that this says definitely that he was. He said that he would see Senator Burton who was. I do not know now whether he was attached or not, but I know he was familiar with the arms business, because of his great service during the war in that connection, and realized the difference between sporting arms and military arms.

The CHAIRMAN. Under date of May 20 you wrote Mr. Frank S. Bright here in Washington, telling him just where things were at, and incidentally told him [reading]:

> If it appears from what you are able to learn that it is important to cable, I am inclined to believe that I could get more action so far as our company is concerned by cabling him rather than the commission.

That means Congressman Tilson, as to whom you say in the preceding paragraph [reading]:

> Confidentially, I had a letter from Congressman Tilson giving me his Paris address and which I could make use of if necessity required, and I have reason to believe that he will act in an advisory capacity for the commission.

Let that letter to Mr. Bright be identified and incorporated in the record as "Exhibit No. 841."

(The letter referred to was marked "Exhibit No. 841" and is included in the appendix on p. 2256.)

The CHAIRMAN. Who was John A. Harrington, Mr. Beebe?

Mr. BEEBE. Of the Harrington & Richardson Arms Co.

Mr. IRÉNÉE DU PONT. Mr. Chairman, am I to understand that you take exception to any United States citizen who has an idea of his own contacting with his Senator or Representative to express his point of view and let the burden of the other side prevail?

The CHAIRMAN. No, not at all. But I do object to a set-up which finds those Members of Congress worming their way into international disarmament or trade conferences to represent, as is so clear here, interests which were selfishly those of people in his own State.

Mr. IRÉNÉE DU PONT. But, Mr. Chairman, I do not think that is a fair thing to say and I would not allow people to say it of you. Now, you are certainly interested, apparently, according to the news, in wiping out the traffic in arms, and yet you do not hesitate to take the chairmanship of this meeting. I do not think that is anything against you at all.

The CHAIRMAN. I have always entertained very high regard for Mr. Tilson. I do not know that one ought to blame Mr. Tilson for the capacity in which he was serving, but I think there ought to be larger care exercised when our Government chooses delegates and technical advisers to see to it they are not choosing those technical advisers who have a selfish purpose to serve, and I have become more and more convinced that until we can have a disarmament conference or trade agreements that are divorced, not only on our own part, but other countries' delegations as well, from those who have selfish purposes to serve, we are not going to make much headway in international agreements.

Mr. Raushenbush, having given such study to that as you have, I wish you would point out for the record just how the Arms Conference at Geneva conformed to the interests and to the wishes of the munition people who had been at work upon the delegates and upon the Department of Commerce and the Department of State for these months preceding the conference itself.

Mr. RAUSHENBUSH. Mr. Chairman, I may say that that is a long and arduous thing to do. Would it not suffice to put in the record at this point the original draft of article 5 and article 6 just as examples, as they were reported by the Temporary Mixed Commission for the Reduction of Armaments which would serve as a base for our entering the convention, and the final article 5 and article 6 after reservations had been made by our delegations and others to these licensing matters and all the rest. They are about twice as long and, I would say, twice as alleviated or twice as weak.

Senator CLARK. Suppose you put them in in parallel columns.

The CHAIRMAN. Yes; in parallel columns.

REPORT OF THE TEMPORARY MIXED COMMISSION FOR THE REDUCTION OF ARMAMENTS	CONFERENCE FOR THE SUPERVISION OF THE INTERNATIONAL TRADE IN ARMS AND AMMUNITION AND IMPLEMENTS OF WAR
ARTICLE 5	ARTICLE 5
Without prejudice to any obligations to which they may have subscribed under international conventions dealing with transit, the High Contracting Parties, when they have reason to believe that any consignment of arms, munitions or implements of war in transit through their territory does not conform to the provisions of the present Convention, undertake to investigate the circumstances and if necessary to prohibit the transit.	The articles covered by category II shall only be exported under cover of an export document, which may be either a license issued by the competent authorities of the exporting country or an export declaration endorsed by or filed with them. If the legislation of the importing country requires the endorsement of a duly authorized representative of its Government, and if this fact has been notified by the said Government to the Government of the exporting country, then such an endorsement must have been obtained and submitted to the competent authorities of the exporting country before the export may take place. Neither the license nor the export declaration shall entail any responsibility upon the Government of the exporting country as to the destination or ultimate use of any consignment. Nevertheless, if the High Contracting Parties consider, on account of the size; destination or other circumstances of a consignment, that the arms and ammunition consigned are intended for war purposes, they undertake to apply to such consignment the provisions of articles 2, 3, and 4.
ARTICLE 6	ARTICLE 6
Without prejudice to the provisions of article 7, arms and munitions in categories II and III may, if the exporter's country so desires, be exported without license. Provided, nevertheless, that in the case of arms and munitions of category II the High Contracting Parties hereby undertake to determine from the size, destination and other circumstances of each consignment whether these arms and munitions are intended for war purposes. If such is the case, the High Contracting Parties undertake that the shipments shall become subject to articles 2 to 5.	As a preliminary to a general system of publicity for armaments irrespective of their origin, the High Contracting Parties undertake to publish, within 2 months of the close of each quarter, a statistical return to their foreign trade during this quarter in the articles covered by categories I and II. This return shall be drawn up in accordance with the specimen forms contained in annex I to the present convention and shall show under each heading appearing in categories I and II in article 1 the value and the weight or number of the articles exported or imported under a license or export declaration, allocated according to country of origin or destination. In all cases where the consignment comes from, or is sent to, a territory possessing an autonomous customs system, such territory shall be shown as the country of origin or destination.

The High Contracting Parties further undertake, so far as each may be concerned, to publish within the same time limits a return containing the same information in respect of the consignments of articles covered by categories I and II to other territories placed under their sovereignty, jurisdiction, protection, or tutelage.

The first statistical return to be published by each of the High Contracting Parties shall be for the quarter beginning on the first day of January, April, July, or October, subsequent to the date on which the present convention comes into force with regard to the High Contracting Party concerned.

The High Contracting Parties undertake to publish as an annex to the above-mentioned return the text of the provisions of all statutes, orders, or regulations in force within their territory dealing with the export and import of articles covered by article 1, and to include therein all provisions enacted for the purpose of carrying out the present convention. Amendments and additions to these provisions shall be likewise published in annexes to subsequent quarterly returns.

The CHAIRMAN. Mr. Beebe, you received a letter from Mr. John A. Harrington, whom you identified as being with the firm of Harrington & Richardson Arms Co. under date of May 22, 1925, which will be offered as an exhibit to be numbered by the reporter.

(The letter referred to was marked " Exhibit No. 842 " and appears in full in the text.)

The CHAIRMAN. I read that letter:

> We had a telegram from A. F. Stoeger the other day—

Do I understand that Mr. Stoeger is the German representative of the Mauser Rifles?

Mr. BEEBE. I do not know, sir.

The CHAIRMAN (reading):

> We had a telegram from A. F. Stoeger the other day in regard to the Geneva Conference, and we wonder if you have made arrangements with Mr. Hoover to go right over and straighten matters out for the gun manufacturers.
>
> Anyway, we would be interested to know if things were as bad as Mr. Stoeger said, and if anything has been done to help the conditions.
>
> With kindest regards, we remain.

I now offer for the record as " Exhibit No. 843 " a letter from Mr. Simons to you, Mr. Beebe, dated May 23, 1925. I also offer as " Exhibit No. 844 " your reply to Mr. Simons.

(The letter from Mr. Simons to Mr. Beebe was marked " Exhibit No. 843 " and appears in full in the text.)

(The letter which Mr. Beebe wrote in reply to Mr. Simons was marked " Exhibit No. 844 " and is included in the appendix on p. 2257.)

The CHAIRMAN. "Exhibit No. 843" is a letter from the du Ponts. This is Mr. Simons writing to Mr. Beebe:

> This is to acknowledge and thank you for your letter of May 22 in reference to the telegram received from Mr. Stoeger regarding the action at the Geneva Conference.

I take it you referred this letter to Mr. Harrington.

Mr. BEEBE. No; the telegram from Stoeger, I think, was what I sent.

The CHAIRMAN (reading):

> General Dill called me on long distance phone on May 20—

Who is General Dill?

Mr. BEEBE. He was identified with the United States Cartridge Co.

The CHAIRMAN (reading):

> General Dill called me on long distance phone on May 20 and told me that he had had a visit from Mr. Stoeger giving him the same information which you quote. General Dill also asked if we had any information about what was going on at Geneva and I told him that we had none beyond what was appearing in the New York newspapers which accounts struck me as garbled and inconsistent.
>
> I also told General Dill that there was nothing which could be done at the present time and that in our opinion it was best to let the matter rest until we secured accurate accounts of what was going on.
>
> It has been my belief all along that if we can insist on American reservations and insist particularly that this Convention will not go into effect until ratified by all countries manufacturing arms and munitions, that we will be safe from any interference for this generation at least.

I want to read that again:

> It has been my belief all along that if we can insist on American reservations and insist particularly that this convention will not go into effect until ratified by all countries manufacturing arms and munitions, that we will be safe from any interference for this generation at least.

Senator CLARK. Who wrote that?

The CHAIRMAN. Mr. Simons, of the du Pont Co. [reading:]

> I note with interest the conversation between your Washington representative and Mr. Turlington of the United States State Department and am very much surprised at Mr. Turlington's attitude that the actual instructions given to the American delegates could not be divulged to the American manufacturers, since at our various conferences with Mr. Hoover, General Ruggles, Admiral Long, etc., we gained a fair general notion of what reservations the American delegation would make, and unless these have been secretly changed I see no reason why Mr. Turlington could not have been equally frank with your representative.
>
> But for the fact that I am leaving today for South Carolina, to be gone a week, I would go to Washington and endeavor to find out just what the real situation is, but in any event I do not believe that the interests of the American manufacturers will suffer if we play a waiting game at the present time.

Senator CLARK. I take it that the reference to the instructions being secretly changed had to do with being changed without notice to Mr. Simons and the various other representatives to whom they talked.

The CHAIRMAN. I do not know how the Senator could draw any other conclusion.

"Exhibit No. 844" is the response to that letter by Mr. Beebe, addressed to Mr. Aiken Simons, which I read in part:

> Touching the matter of the actual instructions given to the American delegates, I did not get quite the same slant on Mr. Turlington's attitude from the

report of our representative as you do. In fact, I think his statement expresses pretty well the opinion that I formed at our conference, namely, that instructions were drawn as closely as possible in harmony with our wishes, but with two or three exceptions, we were not told exactly what those instructions were.

I do not think you people were worried very much, were you, Mr. Beebe, about the outcome of that convention at Geneva? You had pretty thorough assurance, did you not, as to what was going to be done before the delegation ever went?

Mr. Beebe. No; I would not say that. We were rather disturbed at what would happen with regard to the regulation or prohibition on the shipment of sporting arms and ammunition, and we took this method of bringing it before the delegates so that they would be informed. Whatever they might do afterward, that was their job and not ours. We gave them our side of the story.

Senator Clark. Mr. Beebe, you say that you were concerned solely with sporting arms and ammunition, and yet the very first change you propose after the draft came out had to do with pistols and revolvers, and nobody will claim that pistols and revolvers are sporting arms. It is well known that every cavalryman, every artilleryman, every machine gunner, every tank corps man, every officer, and practically every noncommissioned officer in every army in the world carries a pistol or revolver.

Mr. Beebe. If I may answer that I will say this: As far as I was concerned on this committee, I represented our end of the business, which does not include revolvers. We have not made, so far as I know, a military rifle except some for the Navy some years prior to the war.

Senator Clark. I was speaking of the finding of your committee, Mr. Beebe, and not your own company.

Mr. Beebe. I want to get that clear. We do not have military rifles. We made some during the war and some for the Navy. We do not have any now. We do make ammunition for sporting rifles which will also fit the others.

With regard to the revolvers and pistols, Mr. Harrington and Mr. Nichols, of the Colt Co., I think took the position that they are not primarily war weapons. I would rather have Mr. Stone make the statement on that than for me to make it. They are not primarily war weapons. That was the reason given by the committee which framed that part of the report. I will admit that I signed it.

The Chairman. Mr. Beebe, were you not discussing among other things at that time how very friendly the departments who were going to have a voice at Geneva had been with you, how very receptive they had been to all of the suggestions which you had to make?

Mr. Beebe. I think it is quite possible.

The Chairman. Surely it must have been so, to have occasioned this letter to you from Mr. John W. Harrington, under date of May 26, 1925, which I will offer as " Exhibit No. 845."

(The letter referred to was marked " Exhibit No. 845 ", and is included in the appendix on p. 2257.)

The Chairman. I will read just one paragraph from that exhibit:

> We have great confidence in our representatives and the present Secretary of State, and really feel that ultimately there will be no result from the Geneva conference.

Mr. BEEBE. Mr. Chairman, I would like to call attention to the fact that that was written May 26.

Mr. RAUSHENBUSH. 1925.

The CHAIRMAN. May 1925?

Mr. BEEBE. May 26, 1925.

The CHAIRMAN. Yes, sir.

Mr. BEEBE. After we had made our report and had been under the impression that the delegates were satisfied that a convention of this sort would not have any effect unless all the powers manufacturing arms and ammunition signed it. We all felt very certain after that that there were a lot of them who would never sign it.

The CHAIRMAN. What service did Mr. Tilson perform for you at Geneva or in connection with this Conference?

Mr. BEEBE. I do not remember that I ever had any more correspondence with him.

The CHAIRMAN. You thanked him for the service which he had performed there.

Mr. BEEBE. He told me that he had seen Senator Burton, or would see him, and I thanked him for that, as I remember. It is possible that he might have written something else, but I have no recollection of it.

The CHAIRMAN. Let us consider the next exhibit, "No. 846", which is a letter dated June 4, 1925, addressed to Mr. Tilson by Mr. Beebe. I will offer that for the record.

(The letter referred to was marked "Exhibit No. 846", and appears in full in the text.)

The CHAIRMAN. I will read from that letter.

> Please accept my sincere thanks for your good letter of May 18.
>
> While I have seen a good many newspaper items regarding the arms conference, I frankly have no definite information at the present time as to just what has been tentatively or permanently agreed upon. You may be sure that I appreciate what you have done in an effort to safeguard our interests.
>
> There has been quite a little in the newspapers lately about the condition of Secretary Weeks, and we are, of course, all hopeful he will soon be restored to health.
>
> In some of these articles there has been mention made of a possible successor in the event that he did not improve sufficiently to continue and your name has been very prominently mentioned. Should it eventually happen that the post is vacant, and it appealed to you, I certainly hope it will be tendered to you. On the other hand, considering the responsible position that you hold in Congress, I can imagine that you might feel your opportunities for service were greater in your present position.
>
> This is just to let you know in a personal way that my own feeling is, there is nothing too good for "John", if he wants it.

It was in June, Mr. du Pont, that Colonel Simons summed up the results of the Geneva Conference in what is offered now as "Exhibit No. 847." This is a letter to W. Talbot Penniman of the Northern Giant Explosives, Lt., Montreal, Canada, under date of July 20, 1925.

(The letter referred to was marked "Exhibit No. 847", and appears in full in the text.)

The CHAIRMAN. That letter states [reading]:

> Thank you very much for your letter of the 17th, with its enclosed annual report of the explosives division of Canada for 1924. This report contains a good deal of data which will be interesting and helpful to me.
>
> In reference to our conversation regarding the International Convention on the Trade in Munitions, it may be of interest to you to hear that on my recent visit to Washington, I saw a copy of the convention finally signed at Geneva,

> and it is not nearly as bad as we thought it was going to be. There will be some few inconveniences to the manufacturers of munitions in their export trade, but in the main they will not be hampered materially.
>
> When next you come to Wilmington, be sure to look me up.

After the whole conference was over and the munitions people of the world had made the treaty a satisfactory one to themselves, we find again that Colonel Simons is reporting that even the State Department realized, in effect, who controlled the Nation. Let us read from this document, which will be "Exhibit No. 848", which is Colonel Simons' memorandum, dated at Washington, August 13, 1925.

(The letter referred to was marked "Exhibit No. 848", and is included in the appendix on p. 2257.)

The CHAIRMAN. That reads in part as follows:

> While in Mr. Johnson's office—

Mr. Johnson, it appears, is at the head of the Far Eastern Affairs Division of the Department of State—

> While in Mr. Johnson's office, Mr. Dulles of the State Department called me up on the telephone in reference to the Geneva Arms Conference and stated that the attitude of the State Department toward munitions manufacturers had undergone a decided change. This statement was also echoed by Mr. Johnson.

The statement continues further on [reading]:

> By appointment I went to meet Major Casey at the office of the Chief of Ordnance but since General Williams was out of town we met General Ruggles who advised us of the changed attitude of the State Department and stated that now the formal permission to export munitions was required. The Government by giving this permission recognized that form of trade and must, therefore, give it the same support given to other forms of commerce.

Then further on the memorandum continues:

> Called on Admiral Andrew T. Long—

Colonel Simons was calling on all of those who had served in that capacity, or as many as he could who had gone to Geneva—

> who had been at the Geneva Conference, who informed me that the attitude of the State Department toward munitions manufacturers is and must be radically different because of the action taken at the Geneva Conference. This is treated in detail elsewhere.

Then the report referred to evidently that one which is offered as "Exhibit No. 849", dated August 17, 1925, and addressed by Mr. Casey to Col. W. N. Taylor.

(The letter referred to was marked "Exhibit No. 849", and is included in the appendix on p. 2259.)

The CHAIRMAN. I will read from that exhibit.

> 1. Most, if not all, of the American delegates to the Geneva Conference held early this summer for the purpose of regulating international trade in munitions have now returned to the United States, and on recent visits to Washington, Major Casey and Major Simons have had opportunities to talk to Mr. Dulles of the State Department, Admiral Long of the Navy Department, General Ruggles of the War Department, as well as several other officers who did not attend the conference, who have considerable information which they have divulged on condition that they are not directly quoted.
>
> 2. The net result of this conference does not appear to be disadvantageous to the munition manufacturers, since the new regulation requiring a formal permit to export munitions has had the effect of an official recognition of this trade by the United States State Department, so that they must hereafter give the same assistance and support to munition exporters as they would give to any other firms.

3. Mr. Dulles stated directly to Major Simons that the du Pont Co. would find a changed attitude on the part of the State Department, and this information was also given to Major Casey by General Ruggles.

4. Admiral Long quoted a conversation which he had had with some State Department official, wherein the State Department official stated that he regarded the munition manufacturers as deserving the same support that was given to exporters of sewing machines.

5. It is understood, of course, that this conference has no binding effect on the United States until confirmed by the United States Senate, which does not assemble until December and probably will not reach the point of taking action on this matter until next spring.

Mr. Casey did not know how far off next spring was at that time. [Reading:]

We understand further that the action of the chief of the American delegation, Mr. Burton, in regard to the prohibition of the use of poison gas was taken without consultation with the rest of the American delegation, and was regarded by the entire conference as a "magnificent gesture", the actual wording of the accepted protocol, leaving the nations at liberty to act pretty much as they see fit.

7. We do not contemplate taking the State Department any further into our confidence than usual, nor do we expect any great amount of aid from them, but all of the above information is given you for what it is worth.

The du Ponts, Mr. Beebe, complimented you on the splendid work you had done in connection with this Arms Control Conference, did they not?

Mr. Beebe. I think that Major Simons wrote me a rather complimentary letter. You see, I did a lot of piecing together of the various suggestions which they made and putting it into shape to have it multigraphed.

The Chairman. There is offered as "Exhibit No. 850" a letter to you, Mr. Beebe, on August 27, 1925, by Aiken Simons of the du Ponts.

(The letter referred to was marked "Exhibit No. 850", and is included in the appendix on page 2260.)

The Chairman. I will read in part from that exhibit.

When in Washington some time ago, through the courtesy of Mr. Dulles, I had an opportunity to look over the report and to discuss it with Mr. Dulles and I do not believe that there is anything in the action taken at Geneva which will seriously interfere with the export business in munitions.

In fact, the action taken by the Department of State in identifying itself with this business has put the Department of State in the attitude of recognizing this as being in the same category with any other foreign commerce, or as one State Department official is said to have remarked, "the export of munitions is as reputable as the export of sewing machines."

When in Washington recently, several State Department officials, as well as officers in both branches of the service, informed me that the munition companies would find a marked change of attitude on the part of the State Department. Personally, I think that the Geneva Conference has had a great educational value for our State Department, no small part of which is due to your skillful and untiring presentation of the facts before these officers sailed for Europe. It has been a great pleasure for me to work with you in this matter and a greater pleasure still to compliment you on the results which you obtained.

Then in response, Mr. Beebe in a letter, which is offered as "Exhibit No. 851," under date of August 28, 1925, said in part:

I will admit that I worked hard, but can assure you that any success that attended our efforts are due quite as much to you and my associates on the committee.

(The letter referred to was marked "Exhibit No. 851", and is included in the appendix on page 2260.)

The CHAIRMAN. The Paris representative of the du Ponts in a letter to Mr. Casey, under date of October 13, 1925, seems to rather well sum up the result of the Geneva Conference. That it could be called a happy result from the standpoint of the industry is of course to be expected.

I will offer that as "Exhibit No. 852."

(The letter referred to was marked "Exhibit No. 852", and is in-included in the appendix on page 2260.)

The CHAIRMAN. I read from this letter just a few paragraphs:

> My conversation with him—

Meaning Mr. Van Veen, who is leaving for America—

> My conversation with him about Poland was along the lines given in paragraph 21 of letter T–535 * * * That is the principal reason why outside nations like America and England have not sold much goods. These French credits are coming to an end—

Referring to the discussion in this letter having reference to the manner in which the French there had taken care of the finances of their own munition manufacturers—

> and these foreign countries are searching around to find some way of financing further military purchases and now that the conference of Geneva has more or less legalized the sale of American military goods abroad it seems to me well worthwhile to consider the possibility of American munition people getting together and making loans to these countries for substantial orders. The possibilities for big sales lie only along those lines.

And he goes on and outlines generally the plan to be pursued in setting up a financial organization in these countries.

Then finally he says in this letter:

> The countries that at present would be willing to undertake loans of let us say $5,000,000 to $10,000,000 apiece would be: Poland, Czechoslovakia, Greece, Roumania, Norway, Denmark, Finland. If such a thing were properly organized, it seems possible that within two years we could develop orders in Europe around $40,000,000 worth of material.

Then he writes a postscript to the letter—that is, Mr. Taylor does—in which he states:

> I have an idea that there are plenty of banks that would put up the money if the total were big enough.

Mr. du Pont, was any effort made to organize such a financing company?

Mr. IRÉNÉE DU PONT. I do not know of it; no, sir.

The CHAIRMAN. Mr. Beebe, do you know of any effort to organize such a finance company?

Mr. BEEBE. No.

Mr. RAUSHENBUSH. Which way was your answer intended, Mr. du Pont?

Mr. IRÉNÉE DU PONT. That I knew of no company organized for financing it.

Mr. RAUSHENBUSH. Thank you.

The CHAIRMAN. There is much which ought to be said in summarizing this kind of data, but I am going to be quite content with a statement that here, after all, is very, very clearly demonstrated a fact or facts which make it clear that when our Government enters into negotiations with other governments, looking to any particular agreement. it does not necessarily imply that all the departments of Government are in agreement. One department of government may agree to participate in a conference with others, but there is not any assurance in that offer that other departments are going to cooperate and that the Government as a whole will finally agree.

In fact, there seems to have been in the case of this controversy here rather emphatic proof that irrespective of the wishes and the interests of the State Department to participate in a conference that would accomplish something really worthwhile as respects control in the sales of arms over the world, they were seriously hampered by the War Department or seriously hampered by the Commerce Department, who responded to every beck and call of the munitions industry to see that there was an upsetting of the plans that were uppermost in the minds of those who were opposed to the work of the conference.

I had hoped, in summarizing this case, to point out the numbers of admirals and generals, who work in our Government and who worked in the conference at Geneva, and in the work for the various industries that are engaged in the manufacture of munitions, and when that is done, as it will ultimately be done, I think there will be very, very emphatic evidence there that these so-called " peace conferences ", " disarmament conferences ", if they are to accomplish these results throughout the world, ultimately come into the hands of men whose training and whose belief is such that it would not lead to an understanding between the nations that would lead the world out from under the tremendous and terrific and growing burden of increasing armament.

I think as we have read these exhibits today, one and all must have been impressed with the frequency with which men who took unto themselves the title of colonel, general, or admiral, have appeared.

Mr. du Pont, you undertook to make a statement which we asked you to delay until we had finished the case this afternoon. If you wish to proceed with that at this time, you may do so.

Mr. Irénée du Pont. I would be delighted, Senator, and it might be a very good opportunity also to point out that knowing that your heart and soul is in this matter, it is fairly within the bounds of possibility that those who have had experience in warfare may know that that does not work out that way, and perhaps it was the right which prevailed. But I think it is proper that the du Pont Co. at this time should state its position.

The du Pont Co. did send representatives to a meeting in Washington held prior to the Geneva Conference on International Trade in Arms and Ammunition. The facts about this meeting, so far as the du Pont Co. is concerned, are as follows:

At the call of the United States Government, the du Pont Co., among others, was invited to send representatives to attend a conference in Washington on April 1, 1925, prior to the Geneva Conference on the Supervision of International Trade in Arms and Ammunition. This conference was called at the request of the State Department by Mr. Hoover, then Secretary of Commerce. The purpose of the conference was to ascertain the views of American manufacturers of arms and ammunition so that the American delegates to the Geneva Conference on International Trade in Arms and Ammunition should have an opportunity to have the views of these manufacturers on the draft convention concerning the proposed supervision of this traffic.

The du Pont Co. sent as its representatives, Maj. K. K. V. Casey, Maj. Aiken Simons, and Mr. W. J. Kinsman, the two former gentlemen being connected with its smokeless-powder department and the latter with its organic-chemicals department. Mr. Kinsman was included because it was understood that the subject would include components and ingredients of arms and ammunition as well as the finished product.

The meeting was called to order by Mr. Hoover and the representatives present were invited to express their views. Our representatives participated in the discussion, and Mr. Simons was elected by the group a member of a committee to appear at a later meeting attended by the American delegates to the Geneva Conference on International Trade in Arms and Ammunition, it being the desire of the State Department, through Mr. Hoover, to have the American delegates informed as to the views of the American manufacturers.

The meeting adopted certain recommendations for the consideration of the American delegates. These recommendations suggested modification of the draft convention covering the proposed supervision of international trade in arms and ammunition. These modifications were intended to distinguish war munitions from nonmilitary products and to prevent unnecessary interference with international trade in sporting and other nonmilitary products.

After these meetings in Washington, the du Pont Co.'s representatives took no further part in any meetings with representatives on the Geneva Conference on International Trade in Arms and Ammunition, nor did they participate in any way in the Geneva Conference itself on that subject. The du Pont Co. did not attempt to follow the course of the Geneva Conference on International Trade in Arms and Ammunition except through the reports in the public press, and did not have any representative or observer present at the meetings of the Conference.

And as I have already stated, the du Pont Co. had nothing whatsoever to do with the later Geneva Conference on the subject of disarmament.

The CHAIRMAN. In the morning, at 10 o'clock, when the committee reconvenes, after the recess about to be taken, the committee will want to hear Mr. du Pont and Mr. Casey, and the other gentlemen now on the stand we hope will hold themselves in readiness here to be called upon, if and when occasion arises, throughout the day.

With that understanding, the committee will stand in recess until 10 o'clock tomorrow morning.

(Thereupon the committee recessed until 10 a. m., Wednesday, Dec. 5, 1934.)

INVESTIGATION OF MUNITIONS INDUSTRY

WEDNESDAY, DECEMBER 5, 1934

United States Senate,
Special Committee to Investigate
the Munitions Industry,
Washington, D. C.

The hearing was resumed at 10 a. m. in the Finance Committee Room, Senate Office Building, pursuant to the taking of recess, Senator Arthur H. Vandenberg presiding.

Present: Senators Vandenberg, Barbour, George, Clark, Pope.

Present also: Stephen Raushenbush, secretary to the committee.

Senator **Vandenberg**. The committee will come to order.

In the absence of Senator Nye, who is called out of the city temporarily, we will proceed under my temporary chairmanship.

First, I want to announce that the witnesses connected with the Colt Patent Firearms Co., Mr. Stone and his colleagues, may be released as far as the present series of hearings is concerned. It is understood that they will return when we schedule our January hearings, and it is very much the hope of the committee that Mr. Nichols may be available in January, when the Colt phase of the matter is resumed. But for the present, Mr. Stone and his colleagues are excused from the present hearings.

Mr. **Stone**. Thank you, Mr. Chairman.

REARMING OF GERMANY AND AUSTRIA

Senator **Vandenberg**. The situation to which we are going to turn our attention this morning is perhaps less a matter of cross-examination than it is a matter of piecing together the rather important and significant picture in respect to the world situation and the implications of the munitions trade in connection with it.

Preliminary to the presentation of this morning's exhibits, I want to make a general statement for the record respecting the purport of this morning's trend, so that it will be understood what it is we are undertaking to do. We shall discuss the rearming of Germany and Austria.

This does not involve any assessment of the German or the Austrian viewpoint respecting what they may conceive to be their own rights to rearm. We specifically eliminate that aspect. It is wholly beyond our jurisdiction.

Our study involves, rather, the philosophical question of arms limitation and control by treaty. It involves the integrity of the Versailles engagement. Even this might be said to be outside our

American interest, since we are not signatory to the Versailles engagement. But we are committed to inquiry into the general subject of international limitations and we are in the presence of a new and specific effort at Geneva, under American impulse, to make new progress in this direction.

Therefore, we find ourselves with a direct interest in the fruits of the Versailles adventure, and in a scrutiny of whatever infirmities may have actually nullified its purpose in respect to the limitation of armaments in the Central Powers of Europe. If sinister influences have defeated the attempt at limitation in this instance, we are warned against the menace which may endanger our renewed efforts which now with specific American cooperation again address themselves to the arms-control problem in the world at large. This is our inseverable interest in what otherwise would be the localized problem of the Versailles signatories.

Here was the greatest attempt in the history of the world to effect a disarmament control. We are not concerned with the right or the wrong of it. We are solely concerned with its effectiveness, or its impotence, as a lesson in combating the forces and influences involved. I take it that all our foreign neighbors will welcome the inquiry in this spirit. We have no thought or purpose or desire to impugn the motives or action, or lack of action, of any foreign government which may be incidentally named in the course of the interrogation. We seek only to establish the viewpoint of the munitions makers themselves respecting the forces and influences which may defeat these limitation efforts. The validity of their opinions is not presumed. The sole purpose is to disclose their own minds for the benefit of future generations.

The treaties after the war declared that neither Germany nor Austria nor Hungary not Bulgaria could import or export or manufacture arms.

It must be generally admitted that this control has failed over a period of years; and the peace-seeking world is face to face with the question whether any paper control can be made effective. This is one of the things our committee must canvass. It inevitably leads us into this morning's examination of the realities abroad, as viewed by the munitions makers themselves.

The whole allied world, excepting the active cooperation of the United States, was for the permanent disarmament of Germany and the other indicated powers. Yet the whole allied world must now realize it has not been powerful enough to make its control effective.

Certainly we can dismiss the supposition that these allied governments have permitted the rearming of Germany and these other central powers because they wanted them to rearm. Such insincerity would be inconceivable. The alternative proposition must be that forces, even more powerful than governments themselves, have had a stake in this outcome and have influenced it. We are hunting the possible identification of such forces.

Of course, Germany and these others wanted to rearm. Therefore, our two alternatives apply only to the matters of import and export. These matters could be kept under control if the nations wanted to do so; or if they were not checkmated by even more powerful influences than they themselves could exercise. Our question, then, is whether munitions makers could exert any such dominion in Europe.

Before using the reports of your various companies I want to make even clearer, if possible, our own interest in this particular quiz, because it is very important that it be not misunderstood.

There were and are two sources of profit, external to Germany and the others, which could exist in respect to the rearming of Germany and these other countries. One source would be those who made the direct sales, such as some of our own airplane manufacturers. From other sources we are informed that the British also sold engines which are being used in German military planes.

The other source of profit would be the repercussions produced in other countries by the scare of a rearmed Germany.

Now, let us take the latter category first, as we approach the subject this morning. There are many supporting examples respecting the profit which has flowed into the munitions world as the result of a German rearming scare. I wish to enter as a typical exhibit the first two paragraphs and the last of a New York Times dispatch from Paris, dated November 21, 1934. The headline is:

> Reich war planes held better than French; Denain asks a huge new air fund in Paris.

I read:

> PARIS, November 21.—Although France is stronger in aviation than Germany, the Reich's newly built "war planes" are faster and more modern than those of France, Gen. Victor Denain, the air minister, told the Aeronautics Committee of the Chamber of Deputies.
>
> He was asking for special credit facilities that would give 3,500,000,000 francs for France's air program in addition to the 2,500,000,000 in the regular budget. With these additional resources, General Denain said, his ministry could easily keep pace with the German building program and oppose the Reich air force with effectives superior in numbers and equal in speed and efficiency.

Then in the same columns an Associated Press dispatch from Paris on November 21:

> So impressed was the Chamber of Deputies Army Committee by Leon Archimbaud's report Monday on German rearmament that it decided today to ask the Chamber to restore the 380,000,000 francs that had been cut out of the regular fortifications budget.

I would like to have this entire exhibit marked with the proper number.

(The dispatches referred to were marked "Exhibit No. 853" and are included in the appendix on p. 2261.)

Senator VANDENBERG. That is entered as being typical of this phase of the reaction in the world to the alleged rearming of Germany and Austria, because we shall subsequently find that European munitions makers may have some responsibility for the situation which produces this flow of competing orders which has followed. This sort of thing becomes an endless chain. Country A speeds its armaments to keep pace with country B. Then country C matches country B. Finally, even the country United States of America joins the competition. In other words, the German program inevitably produces a progressive world-wide armaments expenditure and a corresponding armaments profit. It does that even more effectively perhaps than the discussion of the Japanese denouncement of the arms-limitation treaty, although that has produced similar repercussions, as indicated, for example, by recent statements of the majority spokesman in our own House of Representatives in Naval Affairs. The German situation was more effective in producing these repercussions, because it was clandestine, and the thing which we cannot know about openly is usually the thing which we most fear, and we are going to inquire this morning into the question of whether or not these fears have not been successfully capitalized over a period of years very effectively for the advantage, primarily, of munitions profits.

Our rightful interest, then, is concerned with an inquiry whether the interest and the influence of munitions makers, whether the profits motive may be related in any degree to the failure to recognize what is alleged to have happened in respect to the rearming of Germany and these other powers, and whether the munitions influence is believed, rightly or wrongly, to have had a dominating hand in the alleged break-down in the Versailles formula.

With that general statement which indicates the purpose of the subsequent exhibits, I would like to proceed now with the exhibits and the examination.

TESTIMONY OF IRÉNÉE DU PONT AND K. K. V. CASEY—Resumed

Senator VANDENBERG. May I ask, Major Casey, first, I believe you were in charge of your export trade in 1924–25.

Mr. CASEY. Right.

Senator VANDENBERG. Major Casey, did any of your company representatives in Europe report to you as long ago as 1924 or 1925 the existence of some sort of a secret French-English report on the rearming of Germany and Austria?

Mr. CASEY. I believe there was such a memorandum. To identify it at the moment, I could not.

Senator VANDENBERG. We will come to that in a moment, then. May I ask whether you ever heard from any of your representatives in Europe about the Steyr Oestereichische Waffenfabrick in Austria?

Mr. CASEY. Well, that is a very old rifle concern.

Senator VANDENBERG. Is it largely owned by the French interests?

Mr. CASEY. I have heard that, since the war.

Senator VANDENBERG. Did you ever hear of parts of guns and shells being made there and shipped across the border to be assembled in Brunn, in Czechoslovakia, and presumably shipped back into Austria, in violation of the limitations?

Mr. CASEY. That may have been reported by Colonel Taylor, and I think probably some press clippings to that effect may have come in.

Senator VANDENBERG. Colonel Taylor was a pretty seasoned observer, wasn't he, and pretty reliable?

Mr. CASEY. Yes; you see, by the very fact of his office being in Paris, and particularly at that time, he could not very well go into Germany or Austria. The French would have looked on that with suspicion.

Senator VANDENBERG. He had pretty effective sources of collateral information, did he not, regarding the whole situation?

Mr. CASEY. I imagine so; yes.

Senator VANDENBERG. And you considered his reports as reliable as reports could be under those circumstances?

Mr. CASEY. Yes; I would say that.

Senator CLARK. He wrote you voluminously from time to time of anything he considered of any authenticity whatever?

Mr. CASEY. Yes.

Senator VANDENBERG. Now, regarding this alleged report as the result of an alleged examination on French and British authority into the rearming of Germany, do you know whether any such report was actually made public?

Mr. CASEY. I could not say that.

Senator VANDENBERG. You never saw it nor heard of it?

Mr. CASEY. No.

Senator VANDENBERG. If it was not made public, that was the decision of the French and British Governments?

Mr. CASEY. I don't know. I guess my presumption, though, would be the same as yours.

Senator VANDENBERG. Yes; that seems to be obvious.

Mr. CASEY. Yes.

Senator VANDENBERG. We received information of such report in the traffic in arms into and out of Germany and Austria from what we believed to be thoroughly reliable sources, and that is the reason I am proceeding along this line.

By the way, you were sworn previously, were you not, Mr. Casey?

Mr. CASEY. Yes.

Senator VANDENBERG. The next exhibit to be presented will be "No. 854", I believe.

(The document referred to was marked "Exhibit No. 854" and is included in the appendix on p. 2262.)

Senator VANDENBERG. Now, Mr. Casey, please look at "Exhibit No. 854", which I show you. This is Mr. Taylor's report to you from Paris under date of April 22, 1924, regarding the particular matter to which we are now addressing ourselves. I want to read this letter. It is from Colonel Taylor to Major Casey at Wilmington.

> In continuation of my letter to you no. T.252 of March 25, regarding the situation in Europe, the following facts have been developed during my recent trip through Central Europe.

This, I repeat, is in 1924.

> That the English attempt to develop the European monopoly in military material, in which they are to have a large interest through their financial assistance, is meeting with certain difficulties.
>
> In the first place, the control is slowly passing into German hands, although all the English munition manufacturers are working together. The results of the extension of the German group, which is also incidentally a Jewish group, has been causing considerable anxiety in the different war departments. I have recently seen a confidential report of the European War Departments in which a complete list of the companies which are working in agreement regarding the supply of military material to Europe and the names of various personalities who have conducted the negotiations are given, and which contains photographs, letters, etc. I was not allowed to read this report entirely, but I know that it was compiled in common by a number of war departments.

This obviously refers to the thing which we were discussing a few moments ago.

Mr. CASEY. Yes.

Senator VANDENBERG [reading]:

> The conclusion of this report is that a German-English group, mainly Jews, are endeavoring to get the military supplies in Europe into their hands, in the hope of making a large profit through the future reequipment of the European armies which sooner or later must take place and, in connection with this, orders have been sent out directing the purchasing departments to avoid all dealings with members of this group in the interest of national defense. In Czechoslovakia, this has resulted in considerable strain in the interior of the Czecho-Slovak Explosives, Ltd., the Czech-Slovak group now endeavoring to get rid of foreign participation in their capital.
>
> I conclude from this that we should remain absolutely apart in any connections with the people of this group, as it would be considered as an interference by us in European affairs, and also probably shut us off from possible business. I note that Armstrong, Vickers, Nobels, Schneider are on the list; Saint Chamond and ourselves are not.

Do you interpret that as meaning that they are working with the Germans in connection with this program that Mr. Taylor is discussing?

Mr. CASEY. Well, from the text of the letter that would be the natural conclusion to draw.

Senator VANDENBERG. It would seem so.

Mr. CASEY. Yes.

Senator VANDENBERG. "I note that Armstrong, Vickers, Nobels"—that is an English group—"Schneider"—French—"are on the list", the list being one which is working on connection with this German program—"Saint Chamond and ourselves are not."

> Any agreement on our part with this group would be a virtual agreement with the German group.

Now, this would indicate, would it not, that in 1924 it was apparently generally known by European governments, as well as by European munition makers, that a substantial German rearming program was under way?

Mr. CASEY. It would indicate that.

Senator VANDENBERG. That would seem to indicate that?

Mr. CASEY. Yes.

Senator VANDENBERG. Apparently no official cognizance was ever taken of the matter anywhere; at least, you never heard of any governmental cognizance?

Mr. CASEY. No.

Senator VANDENBERG. In other words, if there were such reports, apparently they were suppressed?

Mr. CASEY. Yes.

Mr. IRÉNÉE DU PONT. Mr. Chairman, I do not see that this should be applied to the rearming of Germany. As I gather, it means that all European nations agree to arm. Their war materials were becoming obsolete, and these people engaged in that business apparently saw it would be necessary to replace that armament. There is nothing specific about Germany rearming here.

Senator VANDENBERG. I think you are correct that there is nothing specific, but it seems to me the inference is plain, and I think the whole thing will become a little plainer as we proceed.

Mr. IRÉNÉE DU PONT. It certainly is not here, and I would like to deny Mr. Casey's remark that this upheld the theory that Germany was rearming and that we knew it and Europe knew it. Nothing in the text shows anything of the kind.

Senator VANDENBERG. I think Mr. Casey has justification for his observation.

Mr. IRÉNÉE DU PONT. I think you put the words in his mouth, Senator.

Senator VANDENBERG. I don't think that would be possible with Major Casey.

Mr. IRÉNÉE DU PONT. You succeeded, nevertheless. You are very adroit.

Senator VANDENBERG. He has great ability to speak for himself. And perhaps he was speaking, Mr. du Pont, out of the background of his larger personal information respecting what this letter was about. At any rate, the letter speaks for itself.

Mr. IRÉNÉE DU PONT. Yes, sir.

Senator VANDENBERG. May I ask you, Major, whether your curiosity was aroused in any way by this suggestion that there was a confidential report of European war departments in existence; your curiosity, perhaps, as to how Colonel Taylor had access to confidential reports of European war departments, or perhaps your curiosity as to what this report actually contained? Did you make any inquiries of him regarding this matter?

Mr. CASEY. We may have asked him to keep us further advised. You are asking me, Senator, to recall in detail a great many things that happened 10 years ago.

Senator VANDENBERG. I understand.

Mr. CASEY. Just as was stated a moment ago, there is a tremendous background. If you want me to pick out some instances, it would be just beyond me.

Senator VANDENBERG. I realize that is so. We will just have to do the best we can. Do you remember whether you notified our State Department respecting this type of information at any time?

Mr. CASEY. Not necessarily the State Department. The M.I.D. and O. N. I.

Senator VANDENBERG. What does that mean?

Mr. CASEY. Senator Clark knows.

Senator VANDENBERG. Would you be willing to condescend to identify them?

(Mr. Casey whispered to the chairman.)

Senator VANDENBERG. I think there is nothing secret about that. That is Military Intelligence and Naval Intelligence. Now, whether or not this specifically refers to the rearming of Germany, Major Casey, it certainly does specifically refer to cooperation between German groups and English-French groups, does it not?

Mr. CASEY. It would indicate that.

Senator VANDENBERG. If these reports did refer to the specific rearming of Germany and Austria, and the letters will have to speak for themselves as to whether they do or not, as interpreted on the one hand by Major Casey and on the other hand by Mr. du Pont; if they did refer to the rearming of Germany and Austria and that information were made public, the effect, would it not, would have been to bring the alleged violation of the Versailles Treaty into immediate consideration?

Mr. CASEY. That is possible, but I could not say. The fact of the matter is, Senator, we do not know but what at this time there was a great deal of this, at least in certain items, rather public throughout Europe.

Senator VANDENBERG. I think that is so, and it is one of the things that amazes me as I proceed through the record; that there apparently could have been so much seemingly authentic information generally discussed and yet nothing happened to prevent a continuation of a breach of an international agreement; and the thing that we are going to come to as we proceed is the inquiry as to why it would be that so critical a situation, inevitably involving large armament purchases, large armament expansion, could proceed under such circumstances without official inquiry and without check.

Now, just a week before the Taylor report of April 22, which we have just read, referring to a letter which will be marked "Exhibit No. 855," from Major Casey to Mr. Felix du Pont, who was general manager of the smokeless-powder division.

(The letter referred to was marked "Exhibit No. 855" and is included in the appendix on p. 2263.)

Senator VANDENBERG. I refer only, Major Casey, to the sentence at the top of page 2:

> Our competitors in Europe on military business are German, Italian, and French interests, the most successful competitors being the Germans.

To whom do you refer when you speak of successful German competitors in getting military business in Europe?

Mr. CASEY. That is just a broad statement, based on the indications that it was some German competition we were running into.

Senator VANDENBERG. You mean German competition from inside Germany?

Mr. CASEY. That we do not know.

Senator VANDENBERG. You must have had some specific thing in mind when you speak of German competitors.

Mr. CASEY. Would you mind if I read this over first?

Senator VANDENBERG. No; because I am anxious to know how there could be such effective German competition in the arms business in 1924.

Mr. CASEY. I think I have a better idea of what that German proposition meant. Right after the cessation of the war there were a great many German chemists and engineers who were practically out of jobs, and they began to drift to different places all over the world for jobs. I do not know whether it was at this time, before, or after that we heard that, and German engineers and chemists got into Sweden, and Bofors practically manufactured the old German type of powder. Now, in addition to that, we understood that when Poland, a new nation, with practically no equipment, and unarmed, was trying to put itself in a position of defense, that they were not satisfied with Label rifles that had been shipped them by France. The result was they adopted the 7.9 German Mauser. Now, whether or not those were delivered to them by France as captured ordnance, or whether they were turned over to them by Germany, I do not know, but what they are trying to indicate in this proposition, and you must consider the report as a whole, that the real competition that we were up against in the countries we were permitted to sell in, Poland being practically our only customer that amounted to anything, were not the English, but, rather, the French, the Italians, and the Germans, so that I assume German is really a term in explaining competition. I do not think at that time it specifically indicated that there was any active effort on the part of manufacturers within Germany to produce anything of any consequence.

Senator VANDENBERG. How long was it after 1924 before you became specifically aware of definite competition within Germany itself?

Mr. CASEY. I do not think we ever had anything more than that, but we did consider that it was the German influence that developed the Swedish competition, and that has been our most serious competition ever since.

Senator VANDENBERG. Now, let me show you a letter of October 7, 1926, which will be marked "Exhibit No. 856", written to you by Mr. Taylor from Paris, where you seem to find yourself directly losing Turkish business to the Germans.

(The letter referred to was marked "Exhibit No. 856", and is included in the appendix on p. 2264.)

Senator VANDENBERG. May I say, parenthetically, that there is nothing critical about this interrogation, Major Casey. It is no reflection on you or your company. We are simply seeking information now regarding this rearming situation in Germany. Referring again to the letter of October 7, 1926, from Mr. Taylor to you, I read, for the moment, the first seven paragraphs. First (reading):

> We have been carrying a prospect for 120 tons of rifle powder for Turkey. You may drop off this prospect.
>
> 2. What happened is this: The Turks gave the cartridge order to an Austrian company, the name of which I forgot, but which I will try to get again. This company distributed the order, having the cartridges manufactured in Austria and the powder in Germany by Koln Rottweiler. The powder and the cartridges are to be shipped to Holland where they will be assembled and the delivery made from Holland. So we have lost this business to the Germans.

When he says he has lost business to the Germans, he does not mean Germans in Sweden, but he means Germans in Germany.

Mr. CASEY. No; he means it specifically.

Senator VANDENBERG (reading):

> This is a violation of the Treaty of Versailles and of the Treaty of Trianon and is the first indication of Rottweiler entering the military powder export business since the war.

This is 1926.

Do you remember whether there was any governmental inquiry at any time, or any inquiry through the League of Nations into a possible violation of the Treaty of Versailles in this aspect in 1926?

Mr. CASEY. No; that I do not remember.

Senator VANDENBERG. Continuing the reading:

> 4. Another similar violation was the placing by Turkey of an order for 400 tons of TNT with Philipp in Austria. During the month of September Philipp placed this order on Nobel's England, at 62 cents per kilo.
>
> 5. These two actions have caused considerable disturbance in the minds of the arms manufacturers. This news has only come out within the last 2 weeks.
>
> 6. General O. Husak, representative of the Czechoslovakian company, came to see me about this and is very anxious that we take some action to have a stop put to this by the Military Control Commission.

The Military Control Commission is the League of Nations instrumentality in charge of the arms limitation?

Mr. Casey. Yes.

Senator Vandenberg (reading):

> He says that if we allow this thing to go on, before we know it, the Germans and Austrians will be back on the business.
>
> 7. Unfortunately, the United States not being signatory to these treaties, we can do nothing.

Was there anything secret about this information Mr. Taylor was sending you in 1926, Mr. Casey, or was he giving you information which was or could have been generally known?

Mr. Casey. That I could not say, Senator. He is passing on information of this sort continually. Sometimes he will mention the fact that he got this with great difficulty, or it was supposed to be a secret proposition. In this letter so far there is no indication that it was secret.

Coming back to the second paragraph, I can understand possibly how both Austria and Germany were able to fill an order of that size. One hundred and twenty tons of rifle powder, call it roughly, if you like, 250,000 pounds, and divide that by, roughly, 7,000, and that will give you the number of millions of rounds of cartridges. Now, 250,000 pounds of powder could be made in Austria and Germany under the conditions of the Treaty of Versailles, because of the fact that they were allowed to manufacture sporting arms, and the peculiar feature of the thing was that the Köln Rottweiler smokeless powder was the powder that was responsible for the cartridge, rather than the cartridge being responsible for the powder.

Senator Vandenberg. Your analysis of the specific order may be correct, but you can't disassociate paragraph 6 and paragraph 2 in this comment where the representative of the Czechoslovakian company is quoted as saying that if this thing goes on, " before we know it the Germans and Austrians will be back on the business." In other words, the report obviously carries the implication that it is something more than mere incidental action.

Mr. Casey. Yes; it is the forerunner of something that was just about like this: That the Germans, particularly, and the Austrians practically ruled the world when it came to the type of weapon, the Mauser rifle and the Mannlicher, particularly, being the standard arms of so many nations throughout the world.

Senator Vandenberg. Since there is no indication that this is confidential information it would be fair to assume, would it not, that this was reasonably general information in Europe?

Mr. Casey. That could be assumed.

Senator Vandenberg. Now, let us continue with the reading of the letter. We read paragraph 7 in which Mr. Taylor said that unfortunately, the United States not being signatory to these treaties, we can do nothing about it, meaning nothing about the stopping of those arms manufactured in Germany contrary to the Versailles Treaty.

Now, Mr. Taylor proceeds in paragraph 8 to identify the source from which information could be obtained under certain circumstances. Reading paragraph 8:

> The proper people to take it up—

" It " being the stoppage of those arms in Germany—

> would be Nobel's.

Who was Nobel's?

Mr. Casey. At that time it was the old Nobel Co. of England.

Senator Vandenberg. A British company?

Mr. Casey. Yes.

Senator Vandenberg. With headquarters in London?

Mr. Casey. Yes.

Senator Vandenberg (reading):

> The proper people to take it up are Nobel's, but Husak—

Husak being the representative of the Czechoslovakian company—

> but Husak says that he was informed that the German powder people felt that the only people that could do anything against them in this matter were the English, and that their relations with Nobel were so good that Nobel would take no steps to stop them.

What does that mean as you interpret it?

Mr. Casey. I think it means what it says. I can't see anything to add to it.

Senator Vandenberg. In other words, it means that the relationship between Nobel and this German arms activity are of a sufficiently ample commercial nature so that Nobel would not consider it advisable to attempt to ask for governmental interference on behalf of the integrity of the treaty?

Mr. Casey. I did not say that, Senator.

Senator Vandenberg. I am asking you if there is anything wrong with that interpretation?

Mr. Casey. I may say, assuming Husak knew what he was talking about. That was his statement, not mine.

Senator Vandenberg. In other words, Mr. Taylor is reporting to you that Nobel's, because of its private interest with German ammunition makers, will take no steps to seek governmental protection for the integrity of the Versailles Treaty in 1926, according to the report of General Husak. [Reading:]

> 9. However, the French manufacturers are quite vexed by this matter and they can undoubtedly do something.

Mr. Taylor says Nobel's could have done something but would not.

Mr. Casey. No; Mr. Taylor does not say that.

Senator Vandenberg. Mr. Taylor says that Husak reports to him.

Mr. Casey. That is different.

Senator Vandenberg. It is different that Nobel's could do something if they wanted to but would not. Do you know whether Nobel's has upon its directorate any membership which is related in any way to the British Government?

Mr. Casey. That I do not know.

Senator Vandenberg. Now, I want to read the rest of this letter:

> 10. According to the treaty of Versailles, Germany is limited to an army of a certain specified size until such time as she is admitted to the League of Nations; after having been admitted to the League of Nations she agrees to maintain the same-sized army until permitted to increase it by the Council of the League.
>
> 11. Germany agrees not to manufacture military material for export until permitted to by the Council of the League of Nations. Germany is now a member of the League of Nations, and, in the opinion of observers at Geneva, Germany is expected to start to raise this question very soon. Feelers have already been put out by Germany as to the attitude of the League Council.
>
> 12. Therefore the matter of Germany entering in the armament-export business is a very live question, and the manufacturers of military material should immediately develop a common policy on that matter.

These are the direct observations of Mr. Taylor to you?

Mr. Casey. Yes.

Senator Vandenberg. He is stating now on his own responsibility that the matter of Germany entering into the arms-export business in 1926 is becoming a very live question and that munition manufacturers should immediately develop a common policy on the matter. [Reading:]

> 13. Discussion on this subject has begun, and I would like to have your opinion as to how far I can go considering the fact that the United States are not a member of the League of Nations and that our company and Nobel Limited have commercial relations with the German explosive manufacturers.

What were your commercial relations with the German explosive manufacturers in 1926?

Mr. Casey. That is something entirely out of my bailiwick.

Senator Vandenberg. Can you tell me that, Mr. du Pont?

Mr. Irénée du Pont. I am trying to ransack my memory back in 1926. I think it was, approximately, at that time when we invested about $2,000 000 with the I.G., and which includes some of these German ammunition manufacturers in their business. I can't think of anything else, but, if you wish, I will have the records looked into by somebody who knows. Mr. Swint reminds me that in 1925 there was a company formed for the sale of commercial explosives in South America in which the Germans were interested with us.

Senator Vandenberg. At any rate, you at that time, or later, signed an agreement with the D. A. G. Explosive Trust in Germany?

Mr. Irénée du Pont. I would have to look that up.

Senator Vandenberg. Doesn't that show from the records?

Mr. Raushenbush. That is my memory, but it is subject to correction. Mr. Swint says "no."

Senator Vandenberg. Paragraph 14. [Reading:]

> I am going to talk to Nobel about it in England next week. I do not know all the details of Nobel's arrangement with the Hamburg Nobel Dynamite Co. We have also been in relation with them through Nobel and our London office, but I think it will be a great shame if our industrial relations with the German explosive industry were of such a type that we would wink at their violation of the treaties or permit them to enter the military export business. I will keep in touch with this matter and inform you further.

Now, Mr. Taylor is recommending to you that you have nothing to do with this business of "winking at treaty violations", isn't he? Was that your attitude?

Mr. Casey. That was our attitude.

Senator Vandenberg. What was your reply to Mr. Taylor?

Mr. Casey. I could not say what our reply was at the time.

Senator Vandenberg. Those were instructions to Mr. Taylor?

Mr. Casey. I could not say that; I would have to look it up.

Senator Vandenberg. There can be no misreading of Mr. Taylor's mind in respect to Nobel and their English attitude, can there, when he says that he thinks it would be a great mistake for you to wink at treaty violations. He must mean that in his judgment that is what Nobel has done. That is a fair interpretation of the letter.

Mr. Casey. It is at least an interpretation.

Senator Vandenberg. Have you any quarrel with it?

Mr. CASEY. Not a bit; I have always considered Colonel Taylor a man of unusually good judgment.

Senator VANDENBERG. Did you ever discuss with Nobel's this matter, what Colonel Taylor calls "winking at treaty violations"?

Mr. CASEY. Personally?

Senator VANDENBERG. Or through your company; did your export division ever discuss it?

Mr. CASEY. Colonel Taylor may have discussed it with them. He said he was going to, so I assume he must have talked it over with them.

Senator VANDENBERG. If any instructions were given from your office on a matter of that kind, from whom would they have come?

Mr. CASEY. They would have come from me.

Senator VANDENBERG. And you recall none?

Mr. CASEY. But I do not believe a report of this sort would have come to me without some reply, and the chances are there is some reply to that.

Mr. IRÉNÉE DU PONT. I did not get your question straight, unless I did not understand it. This says it would be a great shame to wink at treaty violations.

Senator VANDENBERG. That is what we are saying.

Mr. IRÉNÉE DU PONT. I did not get it that way.

Senator VANDENBERG. We are saying that your spokesman says that the action taken by Nobel's, if followed by you, would be a shame also. He is saying it would be a shame for you to wink at treaty violations.

Mr. IRÉNÉE DU PONT. Yes.

Senator VANDENBERG. Obviously he is saying, therefore, in his judgment, that is what Nobel's is doing and it is equally a shame.

Mr. IRÉNÉE DU PONT. I do not think it is any of our business.

Senator VANDENBERG. It is not any of your business, but that is the implication, and the vote is 2 to 1 on the interpretation; Major Casey and I agree.

Mr. IRÉNÉE DU PONT. Perhaps that is another case where the major is wrong.

Mr. RAUSHENBUSH. Mr. Chairman, an exhibit we previously introduced shows that the I. C. I., which was successor of Nobel's, had a considerable investment in several of the German companies at that time, "Exhibit No. 461."[1]

Senator VANDENBERG. All right. I do find, and it had slipped my mind, that there is a response to Colonel Taylor's report from you. This will be marked with the next appropriate number.

I am reading paragraph 4 only, because it is the only thing that is pertinent to this particular inquiry. This is Major Casey writing to Colonel Taylor on November 5, 1926 [reading]:

> 4. There is no question but what the Germans are openly violating the Treaty of Versailles.

That is your statement, isn't it, Major Casey?

Mr. CASEY. Yes.

Senator VANDENBERG. You think you were justified in making that?

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[1] Hearings of Sept. 13, 1934, Part V, p. 1083.

Mr. Casey. I thought we were at the time.

Senator Vandenberg (reading):

> There is no question—

This is in 1926—

> but what the Germans are openly violating the Treaty of Versailles, and in order to be successful in accomplishing this, it is essential for them to have the support of some European power or ammunition manufacturer. The facts related by you are interesting and annoying, but we as a company can do very little or even complain of the procedure of the Germans. It is quite improbable that the United States Government would take any recognition of the fact that German powder companies were again prominent in endeavoring to take contracts for European military requirements. You are quite correct in your analysis of the situation. We believe Nobel could actually prevent Koln Rottweiler or other German concerns from entering the military powder business providing they saw fit to bring pressure to bear through English Government channels. On the other hand—

Before I continue, that confirms, on your behalf, the opinion stated by General Husak in the previous correspondence, does it not?

Mr. Casey. I would say it does.

Senator Vandenberg. Confirms the view that, in your judgment, Nobel's is strong enough, if it wants to exert its influence, to bring enough pressure through English governmental channels to stop this arms manufacture activity in Germany. [Continues reading:]

> On the other hand, the French Government is more concerned in keeping the Germans out of the military game than is any other foreign government, and it would seem to us that the Government of France should take a very active interest in having Germany brought to task through the League of Nations.

What, in your judgment, Major Casey, referring to paragraph 4, was the reason that Nobel's was reluctant to move?

Mr. Casey. The reason for their reluctance to move I do not know. We are simply stating here that, apparently, they did not want to move.

Senator Vandenberg. You must have had a pretty good idea as to why they did not want to move.

Mr. Casey. I do not think so.

Senator Vandenberg. You agreed with General Husak on the conclusion?

Mr. Casey. Yes.

Senator Vandenberg. Didn't you also agree with him on his reasoning?

Mr. Casey. This paragraph would indicate that we felt, in the absence of any other reason, that that reason was apparently correct.

Senator Vandenberg. And that reason was the commercial relationship between Nobel's and the German manufacturers?

Mr. Casey. It may have been that, or it may have been something else.

Senator Vandenberg. That is the thing General Husak was talking about.

Mr. Casey. We are, of course, judging these things at long range.

Senator Vandenberg. That is correct.

Mr. Casey. Yes.

Senator Vandenberg. You may each have thought incorrectly, but we are trying to find out what was in your mind at the time, because you are certainly an expert observer, and so was Colonel Taylor. Now, I want to continue reading this letter to the end, bearing in mind that we now confront a situation in 1926, where, apparently, the Treaty of Versailles has been violated, and where, apparently, there is in existence some sort of an internal development in Europe confirming this view, and remembering also that it seems to be the opinion of those who know that failure to stop this activity in violation of the treaty is the result of Nobel's unwillingness, using your language, Major Casey, to bring pressure to bear through English governmental channels, Nobel's unwillingness in turn being related to the fact that it is in commercial munitions cooperation with the German manufacturers who allegedly are violating the treaty. Now we proceed to read.

Senator Barbour. It is quite clear that Nobel's was not unable to bring this pressure to bear. It is a matter of their unwillingness to do so.

Senator Vandenberg. I think that is clear. Whether or not they could have succeeded is a matter of conjecture, but why they did not undertake the effort is clearly stated in the opinion of Major Husak and the opinion is, at least inferentially, confirmed by Major Casey's opinion. [Continuing to read:]

> 5. We think it would be well for you to discuss this subject with Nobel's to see if you can determine the exact position taken by them. This probably will prove a difficult task, because certain things which have developed in connection with prospective business in Argentina leads us to believe that the activities of Köln Rottweiler—

Köln Rottweiler is the German company?

Mr. Casey. Yes.

Senator Vandenberg (reading):

> Köln Rottweiler have the approval of the Nobel Co. Our conclusion is based upon the following facts in connection with the Argentine project:
>
> 6. You are familiar with the du Pont-Nobel negotiations in Argentina that cover a period of 6 or 7 years. During that time we have presented a joint proposal from year to year on the construction and operation of a military powder factory which finally would be turned over to the Argentine Government. Several European firms from time to time have bid on this project. We believe the European competition has been indirectly from Köln Rottweiler. Under date of September 30, 1926, Nobel, of London, wrote to Nobel, of New York, as follows:
>
> 7. "We had occasion this morning to see Mr. Marquadt, of the Hamburg company, who tentatively put forward the suggestion of the Köln Rottweiler Co. cooperating with Nobel and du Pont in the submission of a tender for this scheme. As you know, the Köln Rottweiler Co. have been interested in the Argentine powder factory proposition from the outset, being represented in Buenos Aires by Retienne. Mr. Marquadt did not put this proposal forward as an official one, for the reason that he is not sufficiently acquainted with the terms of the Köln Rottweiler Co.'s representation by Retienne, and is consequently not aware whether his proposal could be given effect to. Meantime, however, we should appreciate the du Pont Co.'s opinion as to whether, in principle, they would agree to the Köln Rottweiler Co. joining us. We, on our part, can see no objection, one of its advantages being the elimination of one competitor, leaving only Bofors Nobelkrut in the field against us. Mr. Marquadt has undertaken to let us know whether Köln-Rottweiler's relations with Retienne would permit the former cooperating with us. What do you think of the idea of bringing in the Köln Rottweiler people?"
>
> 8. Mr. White, of Nobel, came to Wilmington and discussed the above matter, and he was advised that we saw no reason in the world for bringing Köln Rottweiler into the proposition. We turned down the suggestion very flatly for the reason that we could see no way in which a profit would accrue to us by letting the Germans help us build and operate the plant. From Mr. White's

remarks we understood that Nobel was quite anxious to kill all competition in Argentina and therefore make sure of getting the contract. The Turkish proposition leads us to believe that Nobel perhaps wanted to do more than kill competition in Argentina. It would appear that perhaps they desired to reciprocate and insure Köln Rottweiler getting business in South America in reteurn for such business as Köln Rottweiler might have given Nobel abroad. The Köln Rottweiler-Nobel connection seems a bit unwholesome to us, so far as military powder is concerned, and we therefore suggest that you handle the matter with the utmost diplomacy and make every effort to ascertain whether Köln Rottweiler and Nobel have an agreement on military sales and in what countries the agreement may be operative. We feel that you will have to be very tactful in acquiring definite information on this subject, and we will therefore leave it to your good judgment as to the best course to pursue.

Now, it seems to me that I have never seen a proposition more baldly stated. Here is an English munitions company alleged to have a strong influence on the English Government; it is alleged to be in a position to stop the Germans from violating the treaty they were forced to sign. Our State Department is not involved, because we are not a party to the treaty, but it is alleged that the French Government is not powerful enough to stop this German activity, and it is suggested that the British company could do it if it would, but it does not; and when we try to find out why it does not, are we not driven to the inevitable conclusion, which apparently you yourself reached, Major Casey, in this letter, that the whole thing hinges upon the commercial relationship between the German manufacturers in Germany and the British manufacturers in England influencing Nobel and Köln Rottweiler?

Mr. Casey. Just a moment ago, Senator, you referred to France. I do not think any connection between England and Germany has anything to do with France.

Senator Vandenberg. Let us leave France out of the question. It is incidental. Let us refer solely to the German phase and the English phase. In that view would my statement be a fair reflection of that situation?

Mr. Casey. I would say this, Senator: That the letter really speaks for itself as to our opinion at the time. I would like to make one explanation: You may find on the last page the initials in the corner, W. H. O'G.

Senator Vandenberg. Yes, sir.

Mr. Casey. While that letter is in my name, it was actually written by my assistant, Mr. O'Gorman, who has since died.

Senator Vandenberg. This is one of those Farley green-ink letters?

Mr. Casey. Yes, sir. I do not for one moment want to say that it is not my letter, but I do not think my language would have been exactly the same.

Senator Vandenberg. It reflects your views, however?

Mr. Casey. Yes, sir.

Mr. Irénée du Pont. Mr. Chairman, might I interject something at this point? According to your interpretation of this thing, the French Government and the British Government and the United States Government are powerless to enforce the Versailles Treaty. You blame their lack of power on the munitions people not stepping in and making them do what the munitions people think to be right. Only yesterday you were criticizing this munitions company because apparently it wanted to agree with the War Department of this country and put across those revisions of the Geneva Conference.

You claimed that that must have been done by the munitions companies. Now, this is the governments of these great countries. To my mind it is rank nonsense to say that the State Department of the United States and the State Department of Great Britain and the State Department of France, the three nations who had been fighting Germany to the limit for 4 years, are unable to handle Germany because they have not the assistance of the munitions trust.

Senator VANDENBERG. In the first place, I am not claiming anything or not charging anything. I am simply searching for information. It does not seem to me that it is rank nonsense, using your phrase, for Major Casey to draw the conclusions which he draws, and if there was any rank nonsense abroad it is Major Casey's and not mine, because it is Major Casey's conclusions in which I am interested. The question is, Mr. du Pont, whether or not continental munitions manufacturers are sufficiently powerful through their interlocking relationships to either discourage or prevent governmental action upon the question of the integrity of a treaty, when their own commercial agents are involved in the maintenance of the Versailles Treaty. Now, that is the question into which we are inquiring.

Mr. IRÉNÉE DU PONT. There can be no question, Senator, that bringing information before the State Department is perhaps a duty of these munitions companies. There is nothing to show that that was not done. But that we should go out of our way in this country to foment difficulties abroad, because we thought our commercial situation might be helped or hindered, is the thing you are complaining about. As I say, you have a right to do it but not a necessity.

Senator VANDEBERG. You missed the purpose of the inquiry this morning. It has nothing to do with your attitude except that we are using your experts to get information respecting what was going on in Europe.

Mr. IRÉNÉE DU PONT. The information as testified to by Mr. Casey was passed along to the Government officials in this country.

Senator VANDENBERG. Which was not a signatory to the treaty and was not compelled to enforce it. The information, however, was not passed along by Nobel in England in any form which produced a net result on the things that happened, and according to Major Casey's view and General Husak's view, if Nobel had agreed to display sufficient emphatic interest in the matter, this could have been stopped. At any rate, again the facts speak for themselves.

I will introduce that document as "Exhibit No. 857."

(The document referred to was marked "Exhibit No. 857" and is included in the appendix on p. 2265.)

Senator VANDENBERG. Major Casey, going back to "Exhibit No. 856", which is the Taylor report to you under date of October 7, 1926, the first sentence of which says—

> We have been carrying a prospect for 120 tons of rifle powder for Turkey. You may drop off this prospect.

That powder, as I understand it, was made by the Germans.

Mr. CASEY. According to the report; yes, sir.

Senator VANDENBERG. The order went to the Germans?

Mr. CASEY. Incidentally, we found Turkey a very poor prospect and never sold them anything.

Senator VANDENBERG. I judge so from the subsequent exhibits.

Now, a little before this time, your representative, Colonel Simons, had a talk with the Government about erecting a powder mill in Turkey. I am not entering the report as an exhibit, although I would be glad to have a copy handed to you for identification. It is a report dated October 15, 1925, signed by Col. Aiken Simons.

I am reading only the last paragraph of the letter, because it seems to me that it is a rather amazing observation, by a Government official, at any rate:

> It is my personal opinion that the State Department might be moved to change their nominal attitude on the matter of a powder-mill construction but could not be counted on to give any real help in event of this matter bringing about a controversy between the du Pont Co. and the Angora Government.

Do you want to say something, Mr. du Pont?

Mr. IRÉNÉE DU PONT. No, sir.

Senator VANDENBERG. I thought you were getting a bit uneasy.

Mr. IRÉNÉE DU PONT. I am getting a bit uneasy because I know a little about the Nobel Co., because of the visits of Sir Harry McGowen, who has been over here. I look upon them as having just as high integrity as our company. I think there is something " fishy " about your claim here that they are not doing their duty by the Government, by not calling in the British Government.

Senator VANDENBERG. I am not claiming anything. I present the facts. They will have to speak for themselves.

Mr. IRÉNÉE DU PONT. The inference is that they did not report that to their government. There is nothing to show that. To say that the British Government, with all its tentacles reaching out in every direction, knew nothing about this situation would, to my mind, indicate that the English are not very smart.

Senator VANDENBERG. I do not want to argue with you, but we opened this hearing with one exhibit which indicated that the British Government did know about it, and that the war departments of all Europe did know about it, but that nothing happens, and that is what we are trying to find out.

Mr. IRÉNÉE DU PONT. I think you ought to ask those governments, and not blame it on the Nobel Co. They are rather decent people and I rather resent it.

Senator VANDENBERG. We will let you be a character witness for the Nobel Co. in just a moment.

Mr. RAUSHENBUSH. Mr. Chairman, might one point out in passing that it is one of the characteristics of so-called " decent " people to do nothing, and that doing nothing may be quite as much a crime, if you wish, as any positive action. That point, it seems to me, is very clearly demonstrated in the testimony not only of Major Casey, from a long distance, but Colonel Taylor, at very direct hand, corroborated by visits of Mr. White of the I.C.I., that these people, I take it, knew this situation and knew the commercial motives behind the companies. We have not gone into a great deal of detail previously regarding the governmental connection of I.C.I., which is fairly well known in England. Lord Reading, who used to be Sir Isaac Rufus, has sat on the board, Lord Melchett, who used to be Sir Alfred Mond, has been there. We have not spent much time on all these things, and it seems to me that on the point now as to whether it should be put into reverse, it could be very well said that people can fail to do things which are quite as positive action as anything else.

Mr. Irénée du Pont. If they did do anything, they were using their power improperly.

Senator Vandenberg. Let us proceed with the exhibits, letting the exhibits speak for themselves and letting Major Casey's interpretations speak for themselves.

I was reading the final paragraph in that letter, of which you have a copy before you. This is Colonel Simons reporting on October 15, 1925:

> It is my personal opinion that the State Department might be moved to change their nominal attitude on the matter of a powder mill construction but could not be counted on to give any real help in event of this matter bringing about a controversy between the du Pont Co. and the Angora Government.

That is a little different from the idea that General Ruggles had that there might be protection in such a situation.

Mr. Casey. This statement here relates to this probability: If we got into a situation where we could not collect payment on something that was due, we could not count on any assistance from the State Department.

Senator Vandenberg. That is purely incidental to my purpose in reading it, anyway [continuing reading]:

> It was called to Mr. Dulles' attention that in the event of American firms refusing to build a mill that the Turks would probably secure German aid in this matter. Mr. Dulles said he was well aware of this and that he was also aware that powder and other munitions were continually shipped out of Germany with the connivance of the Allies, since the resulting sales of munitions swelled the reparation fund. Mr. Dulles, however, said he could not give any recent instances of the shipment of powder from Germany.

Senator Barbour. Excuse me, Mr. Chairman. Who wrote that letter?

Senator Vandenberg. This is Col. Aiken Simons reporting to the du Pont Co., quoting Mr. Dulles, who, at that time, as I understand it, was connected with our State Department. Is that right?

Mr. Raushenbush. That is right.

Senator Vandenberg. This amounts to a suggestion, does it not—and you will correct me if the inference is not justified—for the purpose of swelling the reparation fund the Allies are winking at these violations?

Mr. Casey. Senator, I do not believe I can speak for Mr. Dulles.

Senator Vandenberg. I am asking for your interpretation of the language in the report.

Mr. Casey. I would say so.

Senator Vandenberg. A few years later, in 1929, we find the du Pont Co. interested in a proposition of buying into a Dutch company, in which the German ordnance company, called "Rheinische Metallwaaren & Maschinenfabrik", was financially interested. I do not propose to go into the details of it, only calling attention to two things.

I will offer this as "Exhibit No. 858."

(The letter referred to was marked "Exhibit No. 858" and is included in the appendix on p. 2266.)

Senator VANDENBERG. I will first read from paragraph 5 and paragraph 6 on page 2, and this, by the way, is a report from your Colonel Taylor to Major Casey, under date of October 28, 1929:

> Since this visit I proceeded to Berlin and secured a list of the guns already manufactured by the Rheinische Metallwaaren & Maschinenfabrik for the German Government and accepted by them, those not yet accepted by them, and guns of which drawings are made but for which no pilot mounts have been completed. This list I will send in detail later on. For the moment it is sufficient to say that the guns already manufactured range from the semiautomatic rifle to the 105 mountain howitzer. The guns on paper include corps and Army guns.

Do you know whether guns of that size were in violation of the treaty or not?

Mr. CASEY. It depends on the quantity and whether the size of the Army which Germany was allowed called for guns of that caliber.

Mr. RAUSHENBUSH. Major, can you remember back a little more definitely than that? Are not guns above a certain caliber, which is around .70, or something like that, definitely forbidden?

Mr. CASEY. I could not say. I do not know that treaty.

Senator VANDENBERG. Are guns of this caliber pretty fair-sized guns?

Mr. CASEY. One hundred and five mountain?

Senator VANDENBERG. Yes.

Mr. CASEY. No; I would not say so. That is about a 4-inch gun, but it is a howitzer and is really not as effective as a 75-millimeter field gun.

Senator VANDENBERG (continuing the reading):

> 6. I also secured indications on where to find all legal information covering the possibility of Germany making a legal contract for the sale of military designs to a neutral country. I am told that the legal aspects of this matter is doubtful, but that in the case of the arrangement between the Rheinische Metallwaaren und Maschinenfabrik and the factory at Soleure, Switzerland, contracts were made; probably this constitutes a precedent. This matter I am getting up in a separate report, but it will take some time as it will be difficult to find some of the documents.

Mr. RAUSHENBUSH. That is a Krupp company, is it not? That Rheinische Metallwaaren und Maschinenfabrik is a Krupp company, is it not, Major?

Mr. CASEY. I do not know. I thought Krupp was simply a name by itself. This might be a subsidiary, but I am not familiar.

Mr. RAUSHENBUSH. That is what I mean.

Senator VANDENBERG. This second report from Colonel Taylor would indicate that not only were plans made for manufacture of these guns in Germany, but that ways and means also had been found for sending the designs and so forth out of the country to a second nation.

Now, coming down to March 3, 1930, Major Casey, things were allowed to go along as usual respecting this German activity, and Germany was rearming, and protests were being either withheld or silenced, as the facts may justify the conclusion to be drawn, and in 1930 Colonel Taylor reports to you that Nobel had taken in the Germans in building a powder factory for Turkey, and suggests that du Pont get into the matter, too, apparently.

I am now reading this memorandum from Colonel Taylor to Major Casey, dated March 3, 1930, which will be the next exhibit.

(The letter referred to was marked "Exhibit No. 859" and appears in full in the text.)

Mr. Irénée du Pont. Mr. Chairman, may I ask that my brother, Mr. Lammot du Pont, who was president at that time, come up, because this was some 6 years after I ceased to be president, and I am sort of a fifth wheel in the shay.

Senator Vandenberg. I think we will be back in your era before we conclude.

Mr. Irénée du Pont. Anything you say goes with me, but I am rather dumb on this because it happened after I got out.

Senator Vandenberg. If anything is involved of an executive authority nature, we will communicate with Mr. Lammot du Pont at once [reading "Exhibit No. 859"]:

> The Germans have been discussing for a long time with the Turks regarding the erection of a factory, and Imperial Chemical Industries decided that in order to get the job they would have to take the Germans in, which they did without consulting us, although they keep us informed at all times of what is going on.

Major Casey, is Imperial Chemical Industries the same thing as Nobel?

Mr. Casey. Yes, sir.

Senator Vandenberg. The same thing as Nobel?

Mr. Casey. Yes, sir.

Senator Vandenberg (reading).

> It is believed that in our territory we should give consideration to this matter for the following reasons:
>
> (*a*) We have been approached several times by each of our customers to assist them in building a factory or in improving their present production.
>
> (*b*) When it becomes known that Bulgaria, Roumania, Turkey, and Yugoslavia, are being assisted by Imperial Chemical Industries and the Germans in the production of a military powder, other countries will become more enthusiastic about production in their own country.
>
> (*c*) If we continue to turn a deaf ear to our customers' requests for assistance in their predominant ambition, they will seek assistance either from Germany or from Bofors.

I am particularly calling attention to paragraph (*b*), in which Colonel Taylor seems to express the fear that as soon as it becomes known that some of these Balkan countries are being assisted in their armament program by this combination of Nobel and the Germans, it seems to be Mr. Taylor's fear that other countries will, as a result, "become more enthusiastic about production in their own country."

In other words, is it a fair interpretation of Mr. Taylor's observation, Major Casey, that the Nobel-German impulse to the arms business in the areas where they operate is calculated to inspire a reciprocal interest in arms purchases elsewhere?

Mr. Casey. No; I do not think that is the interpretation, Senator.

Senator Vandenberg. What is your interpretation?

Mr. Casey. I think you have got to go back to the Geneva Conference to get it.

Senator Vandenberg. Give me your construction.

Mr. Casey. As a result of that conference, taking munitions in its broader sense, I think it was estimated that as a result of that conference every nation had to be prepared to supply, possibly not at the moment, but at some time, all their own material within their own borders. I think as a result of that there was something around 300 new plants started in Europe, in order that each nation would produce its own materials. I do not mean by that propellant explosives for guns, but I mean in the broad sense of munitions.

Senator CLARK. You mean materials, Major, from which gun ammunition, and so forth, is made?

Mr. CASEY. No; I am going further than that: Equipment, canteens, belts, holsters, horse equipment, everything that would be required by a force which actually goes to war, and you might say anything produced in a country.

Then there was something like three hundred-odd plants which were started in Europe as a result of the Geneva Conference.

Now, this paragraph to me indicates that when it is known that Bulgaria, Roumania, Turkey, and Jugoslavia are doing what the other nations had already started to do, that then some other nations therefore would decide they better put their houses in order by building their own plants. I think this is a question of plant construction, not purchases.

Senator VANDENBERG. At any rate, it is a repercussion in arms activity of one sort or another.

Mr. CASEY. Yes, sir.

Senator VANDENBERG. As a result of the Nobel German program?

Mr. CASEY. Well, I would not say it was a Nobel German program initiated by Nobel in Germany. I think it was a program where these different nations that wanted to get equipment and did not have the technical information to build such plants were going after these people to assist them in putting up plants.

Senator VANDENBERG. Now, in order to connect up the record with an exhibit in a previous hearing which has some bearing on this same quest, I want to refer back to an exhibit that was produced by Senator Clark and numbered 526, which was a report from Colonel Taylor dated February 6, 1933, in which he discusses the shipment of 30,000 rifles and 200 machine guns from Italy to Austria, to Hungary. That is a triangular route. The incident was found out and Colonel Taylor goes on to say:

> Somehow or other it was arranged that the French should not make any official trouble about it.

Mr. CASEY. What paragraph is that, sir?

Senator VANDENBERG. I have not the whole thing before me. I have a copy of the excerpt.

Mr. CASEY. Oh, yes; I have got it.

Senator VANDENBERG (reading):

> Somehow or other it was arranged that the French should not make any official trouble about it.

That is official trouble about this alleged violation. [Continuing quotation:]

> However, the "Petite Entente", who are the natural enemies of Hungary, was not satisfied and brought this matter before the League of Nations, demanding that the material be delivered up and destroyed, and that sanctions should be taken against the people involved. There seems to be an attitude on the part of certain English, French, and Italian delegates at Geneva to hush the matter up and the "Petite Entente" are having a hard time to get action.

That would seem to indicate in this previous exhibit the same chain of circumstances which raised the fundamental question we seem unable to answer—namely, why the persistently known violations never were stopped, or corrected, always involving primarily business relations, apparently, between the munitions manufacturers of these various countries, and Germany and Austria.

Mr. CASEY. I do not know, Senator, in reading this that I necessarily draw that conclusion, because the last reference you made said that certain English, French, and Italian delegates at Geneva did so-and-so.

Senator VANDENBERG. Yes. The thing that interests me, Major Casey, is that in searching for a reason why any one of these countries may not have seen fit to actively challenge the alleged violation of the Versailles Treaty, and seeking a reason for it I am impressed by the fact that we find in Great Britain, France, Italy—we find in most all of these major producing countries a special interest which interlocks, so that if any one country made a protest, apparently it would involve a loss of business for that particular country in favor of the other countries.

Mr. CASEY. And in doing that, effect the national defense of that country?

Senator VANDENBERG. Well, undoubtedly.

Mr. CASEY. By the way, Senator, it might be in order to advise that my statements, my reports, and everything of that sort, are my personal opinion.

Senator VANDENBERG. I understand that, but you and I both have a pretty good opinion of your opinion.

Mr. CASEY. Senator, when am I going to be elected?

Mr. RAUSHENBUSH. Major Casey, to clarify that point, unless you are specifically contradicted by Mr. A. Felix du Pont or the president of the company, your policies there stand as the foreign policies of the company, don't they?

Mr. CASEY. I would not say so. Let me explain that: If I bring the matter to their attention, and then they are thoroughly familiar with it and by action approve, then it becomes a policy of the company, but a great many of these things, if I would attempt to burden my superiors or the executive committee with every bit of this stuff that came in, they would simply stop all work and handle these propositions and search them down.

Mr. IRÉNÉE DU PONT. I do not think the major understood your question. You mean if I don't get up and say he is wrong here that that commits the company to whatever Casey says? That is not true.

Mr. RAUSHENBUSH. No; that wasn't it.

Mr. IRÉNÉE DU PONT. For the reason I haven't got the mind to absorb a brand new thing I never heard of and give an edict for the company. Besides I am not the president now, as I explained. Even the president could not thoroughly explain in a few minutes more or less technical letters and say whether that was a policy of the company or not.

Mr. RAUSHENBUSH. Mr. du Pont, you did not get my question clear. Here we have reports from the people in the field, Colonel Taylor; the I.C.I. also gets his reports, I understand. You then on the basis of those reports and talking it over with the War and State Departments here, arrive at a sort of foreign policy. What I was trying to get at was that Major Casey's opinion as a basis for those bases, based in turn on Colonel Taylor's reports and other stuff, determine the policies of the company on foreign matters, foreign military matters, unless specifically contradicted. We have so far in the record found no statements where Mr. Felix du Pont or the president of the company at that time said, "No, Major; this is incorrect."

For instance, on that matter of Nobel, Nobel's relations with Germany and the du Pont's relations with Nobel were of such a character that Nobel would wink at the violation of the treaty—those comments, and all that correspondence, was carried on without, as far as we find, any contradiction from the superiors of the company.

I make that point because of your apparent willingness to say, "These are just my opinions." But actually they are, unless contradicted, determining opinions, as we see it.

Senator VANDENBERG. They are also, at any rate, certainly without contradiction, Major Casey's opinions in his official capacity.

I want to get through with this before the recess so I will hasten along.

There is another report from Colonel Taylor, dated March 7, 1933, which I am not going to enter as an exhibit, but I want to read a paragraph on page 3 which relates to France. This is a general summary and report by Colonel Taylor to Major Casey on the general European status. On page 3 the French status, in March 1933, is reported as follows:

> France is full of rumors of war, for which there are no substantial proofs. It seems to be rather the result of the continued alarmist campaign of the French press.

I am emphasizing that for whatever it is worth by way of indicating what an alarmist campaign by a press can do, and I am inquiring whether it is not generally known that the Schneider group of arms producers in France have a large interest in the French press and the French press agencies. Isn't that generally understood, Major Casey?

Mr. CASEY. I have really never heard that.

Senator VANDENBERG. You never heard that at all; never heard there was any connection between French munition makers and the French press?

Mr. CASEY. I think I saw it in an article recently, but outside of that article I never heard it. I might say this, though, in connection with the French press. Some years ago in the Saturday Evening Post appeared an article by Irvin Cobb on French crises. He stated that the French people felt that unless they had a crisis about once a week something was wrong with the government.

Now, to just take that a step further, you have got to consider this not on the basis of our viewpoint but on the basis of the French viewpoint. The French viewpoint is that there must be something always in the fire. If it is not war, it is socialism or insurrection or getting rid of a cabinet or changing the form of government or something of that sort. But they always have something of that sort and the press just lives on giving all the publicity they can to anything of that sort.

Senator CLARK. But every time they have a crisis they buy a few more munitions.

Mr. CASEY. No. I mean a crisis such as a change in the value of the franc or in the cabinet.

Senator CLARK. I read last week where they boosted the French military budget about $800,000,000.

Mr. CASEY. You have likewise got to go back through French history for that—back to the Napoleonic wars.

Senator VANDENBERG. Most of these crises have involved some kind of war or preparation for war.

Mr. CASEY. I do not think the French would be happy unless they thought they were going to have a war.

Senator VANDENBERG. Proceeding with this exhibit, page 6, reading from the middle of the page, which deals with Japan and China—this, again, is Colonel Taylor's report to Major Casey:

> The Daily News reports that the board of trade at London—

First let me ask this: 1932; that is about the time of the trouble, after Japan had taken Manchuria, as I recall it. Perhaps you have it.

Mr. CASEY. Manchuria or the Shanghai incident.

Senator VANDENBERG. Yes; the Shanghai incident.

> The Daily News reports that the board of trade at London issued during the year 1932, 42 export licenses for shipments of war materials to Japan and 31 to China.
>
> To Japan: 5,361,450 cartridges, 10 howitzers or mortars, 740 machine guns, 250 tons of powder and explosives, and £160,000 worth of old military equipment.
>
> To China: 7,735,000 cartridges, 140 tons of powder and explosives, 61 machine guns, 780 rifles, and £5,000 of old material.

The British apparently are shipping to both sides in this controversy.

Mr. CASEY. As neutrals?

Senator VANDENBERG. In a perfectly neutral fashion. I read further from this exhibit:

> We understand that Hotchkiss have machine-gun orders from both China and Japan, but we do not know the quantity, and that Brandt has orders for Stokes mortars from both countries. Bofors has orders from China for artillery and Solothurn has orders for machine guns.

Hotchkiss and Brandt are French companies, are they not?

Mr. CASEY. Yes.

Senator VANDENBERG. And Bofors is Swedish?

Mr. CASEY. Yes.

Senator VANDENBERG. And Solothurn?

Mr. CASEY. Solothurn I do not know.

Senator VANDENBERG. That is probably Swiss with some German connections, is it?

Mr. CASEY. I don't know.

Senator VANDENBERG. At any rate, they are all engaged in this Japanese-Chinese trade, and there is a Disarmament Conference going on at this time, isn't there?

Mr. CASEY. I could not tell you that.

Senator VANDENBERG. Does not the next paragraph indicate it?

Mr. CASEY. Yes.

Senator VANDENBERG. Colonel Taylor's observations on the Conference are somewhat enlightening, and with that we will conclude for the morning. I quote:

> The Disarmament Conference appears to be getting itself into a greater and greater muddle. The attitude of the different delegations appears to be taking more and more the form of arguing for personal advantage and to be departing further and further from common sense.
>
> It is certain that under the present difficult conditions in Europe, both economical and financial, and the fear of trouble, that no country will make the slightest sacrifice.
>
> Note by the examples given above that Germany, Austria, and Hungary are clearly violating the existing treaties covering the question of arms and the manufacture of arms, and a disarmament convention in face of such obvious facts would appear an unworkable document.

I am interested in Colonel Taylor's observation at that point, because it carries this chain to its final conclusion in respect to the effect of the failure to check this treaty violation. In Colonel Taylor's judgment, according to this exhibit, the effect of the failure to check the treaty violation even goes to the extent of making a subsequent disarmament convention, if not improbable in its success, at least calculated to produce only an unworkable document.

Mr. CASEY. That is predicated on the last sentence in the previous paragraph, where he says, "No country will make the slightest sacrifice."

Senator VANDENBERG. Precisely; and all countries are interlocked in this German relationship and none of them is willing to make the sacrifice of making the challenge.

Mr. CASEY. Yes.

Senator VANDENBERG. We will recess until 2 o'clock, when Senator Clark will proceed.

(Whereupon, at 12 noon the committee recessed until 2 p. m. of the same day.)

AFTERNOON SESSION

(The committee reconvened at 2 p.m.)

Senator CLARK. The committee will come to order.

Is there a representative of the Remington Arms Co. present?

Mr. DONOVAN. No, Senator; they were called for tomorrow.

Senator CLARK. I know that, but I thought if he was here this afternoon he might come up.

Mr. LAMMOT DU PONT. May I interrupt to make a statement?

Senator CLARK. Yes, Mr. du Pont.

Mr. LAMMOT DU PONT. I sat here this morning and listened to the testimony and heard certain letters from our company's files read, and heard the statement by a member of the committee that those letters, if undisputed, were taken to form a part of the company's policy. I would like to make a statement denying that.

Senator CLARK. All right; proceed, Mr. du Pont.

Mr. LAMMOT DU PONT. The du Pont Co. has engaged in foreign military-powder business with full approval of the United States Government and must of necessity assume the role of a diligent supplier to prospective customers. This calls for bringing together all available information, which is, of course, passed on to the proper Government departments. We recognize and believe that your committee must also realize that at times such information may consist of conjectures and of rumor as well as fact. The du Pont Co. does not assume responsibility for the accuracy of information obtained and it does not assume any obligation to take action of any kind as a result. The company assumes no responsibility for the opinions or statements of employees in departmental correspondence unless submitted to and specifically approved by the proper authorities and made part of the company policy.

Senator VANDENBERG. Well, Mr. du Pont, let us get this quite clear. Mr. Casey holds a responsible position in respect to your export trade, does he not?

Mr. LAMMOT DU PONT. Yes, sir.

Senator VANDENBERG. If Mr. Casey gives instructions to Colonel Taylor in Europe, those are authentic, official instructions, are they not?

Mr. LAMMOT DU PONT. No, sir; not necessarily.

Senator VANDENBERG. Do you mean that when Mr. Taylor gets instructions from Major Casey that he cannot rely upon them as being orders from his company?

Mr. LAMMOT DU PONT. He can rely on those.

Senator VANDENBERG. He can rely on them?

Mr. LAMMOT DU PONT. Yes, sir.

Senator VANDENBERG. And if Major Casey makes a statement to Colonel Taylor respecting the method he shall pursue in a given situation, can he not rely upon that as an official statement of the company's desire?

Mr. LAMMOT DU PONT. He can rely upon that as coming from Major Casey; yes, sir.

Senator VANDENBERG. That is what I mean, and I think that is the only thing we were attempting to establish this morning when Mr. Raushenbush interrogated. You are referring now to the interrogatory that Mr. Raushenbush interjected?

Mr. LAMMOT DU PONT. Senator, I think that does not commit the company to Major Casey's instructions.

Senator VANDENBERG. Well, now, let us see. We are right back where we started. Do you mean to say that Colonel Taylor, in Europe, receiving instructions and commitments from Major Casey, writing as director of your export bureau, is not entitled to consider that he has heard from the du Pont Co. when he has heard from Major Casey?

Mr. LAMMOT DU PONT. I think he is entitled to so consider.

Senator VANDENBERG. That is the point, the only point that I know of that is involved.

Mr. LAMMOT DU PONT. I do not think that does bind the company

Senator VANDENBERG. I do not know what you mean by binding the company, or to bind the company, as I interpret that phrase.

Mr. LAMMOT DU PONT. To put it another way, no interdepartmental arrangement can bind the company with respect to outsiders.

Senator VANDENBERG. I understand that, but I do not think that is the point that was involved this morning.

Mr. LAMMOT DU PONT. It does not, but I was answering this question to cover all points.

Senator CLARK. I do not think there is any suggestion in the record as to binding the company as to outsiders, at least from what I have heard this morning.

Mr. IRÉNÉE DU PONT. That is probably based on this: In your thesis which you read this morning you made the statement that the munitions manufacturers control the Governments of France, England, and the United States. Now, that is based on a mixture of truth, rumors, second-hand information, and newspaper articles.

Senator VANDENBERG. Just a minute.

Mr. IRÉNÉE DU PONT. May I just finish to keep up the continuity.

Senator VANDENBERG. But your continuity is of no use if your premise is no good.

Mr. IRÉNÉE DU PONT. A good many of your premises are doubtful, and I want to show that up, too.

Senator VANDENBERG. I did not make any charge that the governments were in charge of munition makers. I laid the facts down and inquired whether or not that was the situation, and the facts speak for themselves, as you and I agreed this morning. Whatever they show is for the facts to disclose.

Mr. IRÉNÉE DU PONT. You interrupted what I was going to say. If you are only inquiring, I am glad of that. That was apparently your view on the result of the evidence. It would seem to me that there must be, in the Department of Commerce, War Department, State Department of the United States, and among those representatives who attended the Geneva Conference on the control of private manufacture and sale of arms, individuals who could be called as first hand and give direct evidence as to the facts. If this committee really wants to find out whether the munitions makers in fact impeded the work of the Conference, the best way to do is to call those people now. I would like to know what some of the individuals who can testify first hand can testify on that subject.

Senator VANDENBERG. You could not call anybody from any of the foreign chancelleries on the subject.

Mr. IRÉNÉE DU PONT. There are plenty of them in the United States.

Senator VANDENBERG. I am not sure they would have information on that subject.

Mr. RAUSHENBUSH. May I call your attention to a widely quoted release of Secretary Kellogg, who was Secretary of State at that time, made in Washington in June of this year, and I believe carried by every Washington paper and other metropolitan papers to the effect that munition manufacturers have been influential in every arms-control and disarmament conference. I not only heard him say that personally but I believe it was in the press. I suppose there are Senators who heard the same statement.

Mr. IRÉNÉE DU PONT. If that is a press statement, that is what I say, that you are building up a case on newspaper reports. You mentioned the same of President Hoover the other day. He is a private citizen now, and he was right in the thick of it; the original conference was at his request.

Senator VANDENBERG. You say Mr. Raushenbush's observation is based upon a press report. I will assert that Secretary Kellogg specifically made that statement to me.

Mr. IRÉNÉE DU PONT. That is better evidence.

Senator VANDENBERG. It is excellent evidence.

This concludes that part of the testimony known as "Part IX, International Munitions Control." At this point the committee took up the question of China from the period of 1919 to date. (See Part X, "Embargoes.")

APPENDIX

This report was ordered entered in the record by the chairman. (See text p. 2091.)

THE CHACO ARMS EMBARGO

(By Mary Mattison)

An international effort to make it impossible to carry on hostilities between two South American nations is now in progress, as one step toward the settlement of a long-standing dispute. This is a move to press Bolivia and Paraguay to cease fighting over the Chaco region, by refusing them the necessary arms and munitions. It is the first attempt made to effect an embargo on a general international scale against both parties to a dispute; and, as such, whatever its outcome, it opens a new chapter in the history of dealing with disputes by international action.

Arms Embargoes Preceding the Chaco Case

Arms embargoes effected in the past have, for the most part, been unilateral national measures, applied in Africa, Latin America, and Asia. Brief consideration of American and British experience in taking measures to prohibit arms shipments from their territories will at once indicate the fundamental difference between such action and the present attempt.

In the United States the President has not infrequently used the authority granted him to prohibit shipments of arms under certain conditions.

A Congressional resolution of April 22, 1898,[1] gave the President wide power which was exercised on at least one occasion after the Spanish-American War.[2] By an amendment of March 14, 1912, this power was restricted to cover prohibitions of shipments to South American countries only,[3] and 10 years later the preceding resolutions were repealed and a joint resolution passed adding countries in which the United States exercised rights of extraterritoriality.[4]

As recently as June 29, 1934, the President exercised the power given him by the resolution of January 31, 1922, in proclaiming an embargo on shipments of arms and munitions of war to Cuba. The same day, the Secretary of State, to whom the power to prescribe exceptions and limitations had been delegated, announced that exportation to Cuba would be permitted "when (*a*) an application for license to export had been submitted by the firm or firms in the United States which desire to make shipment, and (*b*) the Department of State has been informed by the Cuban Embassy in Washington that it is the desire of the Cuban Government that export or shipment be authorized."[5]

In a letter to the President at this time, the Secretary of State referred to previous occasions on which embargoes had been enforced, and listed embargo proclamations applied to Brazil, China, Cuba, Honduras, Mexico, and Nicaragua.[6]

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[1] "The President is hereby authorized in his discretion, and with such limitations and exceptions as to him may seem expedient, to prohibit the export of coal and other material used in war from any seaport of the United States until otherwise ordered by Congress." (30 U. S. Stat., p. 739.)

[2] On October 5, 1905, President Roosevelt proclaimed an embargo on arms shipments to the Dominican Republic.

[3] Whenever the President shall find that in any American country conditions of domestic violence exist which are promoted by the use of arms or munitions of war procured from the United States, and shall make proclamation thereof, it shall be unlawful to export except under such limitations and exceptions as the President shall prescribe, any arms or munitions of war from any place in the United States to such country, until otherwise ordered by the President or by Congress." (37 U. S. Stat., p. 630.)

[4] "Whenever the President finds that in any American country or in any country in which the United States exercises extraterritorial jurisdiction, conditions of domestic violence exist, which are or may be promoted by the use of arms or munitions of war procured from the United States, and makes proclamation thereof, it shall be unlawful to export except under such limitations and exceptions as the President prescribes, any arms or munitions of war from any place in the United States to such country until otherwise ordered by the President or by Congress. (42 U. S. Stat., p. 361.)

[5] Press Releases of the Department of State, no. 248, p. 454.

[6] See appendix I, for dates and length of enforcement in each case.

EMBARGO ON ARMS TO CHINA: PEKING PROTOCOL, MAY 5, 1919

An attempt made in 1919 by a group of powers to apply an embargo on arms destined for China with a view to checking civil strife there, appears to be the first effort made to achieve simultaneous embargo action on the part of several states.

The dean of the diplomatic corps in Peking notified the Chinese Government on May 5, 1919, that

"The Governments of Great Britain, Spain, Portugal, the United States, Russia, Brazil, France, and Japan have agreed effectively to restrain their subjects and citizens from exporting to or importing into China arms and munitions of war destined exclusively for the manufacture until the establishment of a government whose authority is recognized through the whole country and also to prohibit during the above period the delivery of arms and munitions for which contracts have already been made but not executed.[7]

The actual effectiveness of this attempt has subsequently been described as limited, if not negligible.[8] The need for international agreement in order to achieve positive results was recognized by the Powers at the Washington Conference for the Limitation of Armaments, 1921–22. With this in view, Mr. Balfour presented a resolution reaffirming the previous agreement.[9] Difficulties were encountered in the form of reservations on the part of the Italian Government to acceptance of the proposal which conditioned the likelihood of success to such an extent that the resolution was withdrawn.[10]

BRITISH EMBARGO ON ARMS TO CHINA AND JAPAN

Shortly after the League of Nations Assembly on February 24, 1933, adopted the report of its Committee of Nineteen, declaring a judgment against Japan in the Sino-Japanese dispute over Manchuria, the British Government applied an embargo on arms shipments to the two parties.

When this Government saw that the Report would be adopted by the League and refused by Japan, it communicated with several of the principal arms-producing countries to determine what might be done in the way of an international agreement to prohibit arms shipments.[11] While these consultations were in progress and pending an international decision, the British Government acted alone.

During the debate in the House Supply Committee on February 27, 1934, Sir John Simon, Foreign Secretary, announced that the Government, while respecting existing contracts, would not authorize the issuance of licenses for exports to either China or Japan of any article mentioned in the Arms Export Prohibition Order of 1931.[12] The Order-in-Council specified puts into effect the provisions of The Customs and Inland Revenue Act, 1879, prohibiting the export of arms, ammunition, and other war material except exports as ships' stores for which licenses are granted by the Board of Trade.

When it became clear that other countries were not in a position to declare an embargo, the British Government, on March 13, removed its embargo. At a meeting of the Far Eastern Advisory Committee on March 15, 1933, a subcommittee on Exportation of Arms to the Far East was appointed to study the problem of control of this traffic.[13] Its work, however, went little beyond establishing the fact that the question was an exceedingly complicated one because of the disparity of position of various Governments in regard to legislation permitting them to effect prompt prohibition of shipments.

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[7] Proceedings of the Washington Conference for the Limitation of Armaments, p. 1418.

[8] Sir John Simon made the following statement in the Supply Committee at the time a British embargo in connection with the Sino-Japanese dispute was under discussion: "Some years ago an effort was made to stop the supply of arms to China at a time when civil war was rampant. Very great international efforts were made, but it is a moot point whether we really succeeded in stopping arms going in. In this country we certainly stopped the supply, but with one or two other exceptions I doubt whether it would be said that armaments from other countries of the world ceased going in. The thing has to be done internationally if it is to be really effective."

[9] Proceedings of the Washington Conference, p. 1416.

[10] Ibid., p. 1490.

[11] Parliamentary Debates-Commons, vol. 275, p. 57.

[12] See Statutory Rules and Orders issued in 1931, pp. 252–253.

[13] A. Extr. 40. 1933. VII.

The strictly national character of the American and British embargoes cited clearly differentiates them from the Chaco embargo attempted on a general international scale. The 1919 move in connection with China, while attempted on an international scale, differs not only because it involved the cooperation of a far more restricted number of States, but also because it aimed at restoration of the internal peace of a single country, while the Chaco embargo is directed toward the reestablishment of peace between two countries at war.

Embargo Proposals in the Chaco Dispute

For the purposes of this study it is unnecessary to enter into the history of the dispute—either from the point of the substance of disagreement or of the attempts of international agencies to resolve it through offers of mediation, arbitration proposals, innumerable appeals and the expedition of commissions of enquiry. A summary of League action [14] in this dipute between two of its Members may, however, show the significance of the present embargo consultations directed by a Council Committee, by indicating their relationship to League action preceding the British embargo proposal at a Council meeting on May 17, 1934.

From the outbreak of hostilities in 1928 until May 1933, League activity was restricted to backing proposals of such other international agencies as the Commission of Neutrals, set up by the Pan American Conference, and of the neighboring States. In September 1932, a Council Committee of Three was established to follow the dispute,[15] but it was not until the following May that the Council decided to send a commission of enquiry to the spot. This commission presented a draft treaty for settlement to the belligerents which they refused to accept, and subsequently submitted a report embodying the results of its investigations to the Council.[16]

Up to this point League action had been taken under Articles IV and XI of the Covenant. When, however, the Commission's report was under discussion by the Council in May 1934, Bolivia invoked first Article XIII and then XV.[17] It was at this stage also that steps to effect an embargo were initiated. From the point of view of League procedure the present status of the case is as follows: The League Assembly is charged with considering the dispute in September 1934 under Article XV; efforts at conciliation under the provisions of Articles XI and XV are still possible,[18] and consultations for the applications of an arms embargo directed by the Council committee in pursuance of a Council resolution of May 19 [19] are in progress.

EARLY PROPOSALS

The proposal of the United Kingdom delegate to the Council in May 1934 which prompted the attempt now in progress to prevent arms shipments to Bolivia and Paraguay, though the first to result in the enactment of prohibitory measures on the part of Governments, was by no means the first suggestion of the kind to be made.

The possibility of action along this line was first called to the attention of the Council by Mr. De Valera in his report as Chairman of the Council Committee of Three, on November 25, 1932, in which he pointed out that,[20]

"One of the obstacles to the suspension of hostilities would seem to be the fear on either side of a possible rearmament on the other. As the two Members concerned in this dispute are not producers of arms, ammunition, and implements of war, any increase in their belligerent strength depends on consignments from abroad. The Committee therefore feels that the attention of the Governments should be directed to this matter."

This suggestion was not discussed by the Council at the time and a period of several months elapsed before a more definite proposal was submitted.

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[14] For a detailed discussion, see *The Chaco Dispute,* Geneva Special Studies, Vol. V, No. 2, 1934.

[15] As first set up the members were, De Valera (Irish Free State), Chairman, Madariaga (Spain) and Matos (Guatemala).

[16] C. 154. M. 76. 1933. VII.

[17] For the provisions of these Articles see Appendix II.

[18] *Official Journal,* 15th year, No. 7, Minutes of 80th Council Session, pp. 784 ff.

[19] See p. 7.

[20] C.793.1932.VII, p. 4.

BRITISH PROPOSAL OF FEBRUARY 25, 1933

Captain Eden, on February 25, 1933, addressed a letter[21] to the Secretary-General of the League containing a concrete proposal, supported by the British and French Governments, for action to prevent the export of arms and war material to Bolivia and Paraguay. This communication noted that despite the efforts of the Council, hostilities between the disputants continued and that while the Council had been unable to determine to what extent the parties involved had complied with their obligations under the Covenant, it was none the less bound to take measures to safeguard effectively the peace amongst nations. It recalls the report of the Committee of Three to the Council on November 25, 1932, and stated that—

" The Governments of the United Kingdom and of the French Republic are convinced that in this particular case the suggestions of the Committee of Three were well founded and that the measure contemplated might be effective if all States joined in its application. They are prepared insofar as they are concerned, to give effect to these suggestions and to consult the States non-Members of the League whose cooperation is essential in the matter.

" Consequently, the two Governments propose that the Council should study the measures which, in application of Article XI of the Covenant, might be proposed with a view to preventing the supply of arms and war material to Bolivia and Paraguay."

Conversations took place between various Governments as to the most practicable method of arresting hostilities between the two countries in question, and it was generally agreed that any action taken in this sense should, in the present circumstances, apply to both parties and be of a provisional nature.

During the early part of March 1933, " the Committee of Three secured, in a semiofficial manner, the adherence of the Members of the Council to a declaration whereby they undertook to prohibit in their respective territories the export and reexport of arms, implements of war, aircrafts, aircraft engines, their spare parts, and ammunition destined either directly or indirectly for Bolivia and Paraguay."[22]

Seven Members of the Council (China, Czechoslovakia, France, Germany, Italy, Norway, Poland, and the United Kingdom) made their acceptance of the contemplated measure conditional upon its adoption by other Governments specified by name, whose cooperation was felt to be vital to the success of the embargo. These were:[23] Argentine, Austria, Belgium, Brazil, Canada, Chile, Denmark, Finland, Lithuania, Luxemburg, Netherlands, Peru, Portugal, Sweden, Switzerland, United States, and Yugoslavia.

It then only remained to secure the adherence of those countries in order to put the embargo into effect. When, however, the Council adopted the report[24] of its Committtee of Three set up to follow the dispute, which recommended the sending of a Commission of Enquiry to the spot, it was hoped that there would be an early cessation of hostilities, and " further action on the proposed embargo was suspended."

The possibility of effectively checking hostilities through the enforcement of an arms embargo did not figure again in connection with the Chaco dispute until the Commission of Enquiry returned to Geneva and published their report[25] to the Council on May 11. In this it was pointed out that the armies engaged in the conflict were using up-to-date material—aeroplanes, armored cars, flame projectors, quickfiring guns, machine guns, and automatic rifles, and that these were not manufactured locally, but were supplied to the belligerents by American and European countries. In the conclusions it was suggested that the " neighboring countries, more especially if the two belligerents refused to accept an honorable and just settlement, could exercise a strict control over transit traffic as a complement to the control that other nations could exercise over cerain exports."[26]

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[21] C.154.M.76.1933.VIII.

[22] Council Minutes for the 79th Session (op. cit.), p. 755.

[23] C.262.M.111.1934.VII. Report to the Council by the Chairman of the Committee of Three, on consultations to which he proceeded with a view to the prohibition of the export and reexport of arms and war material intended for Bolivia or Paraguay.

[24] C.370.M.181.1933.

[25] C.154.M.64.1934.VII.

[26] Ibid., pp. 54 and 58.

BRITISH EMBARGO PROPOSAL OF MAY 17, 1934, NOW BEING ACTED UPON

When the Commission's report was under consideration at the Council meeting of May 17, Captain Eden informed the Council that in the opinion of his Government the fact that both Bolivia and Paraguay, though not manufacturers of arms, continued to obtain arms without difficulty, raised an issue of capital importance and offered to countries other than the two parties an opportunity to make a positive and decisive contribution to bring hostilities to an end." [27]

He referred to the proceedings of the previous year (described above) and suggested that the Council send telegrams to the Governments whose cooperation was necessary, some 17, to inquire whether they were prepared to agree to the arms embargo proposal and urged those Governments not represented on the Council the previous year to join in the proposed action. He further indicated that those Governments which did not at the moment have the necessary powers to put an embargo into effect, take the necessary legislative steps as emergency measures.

In addition he suggested that the neighboring countries forbid the transit of war supplies across their territories to Bolivia and Paraguay.

Various Council Members spoke in support of the United Kingdom delegate's proposal, and at the closing meeting of this session on May 19, a resolution was adopted, the third paragraph of which read: [28]

"Recalling the action begun last year with a view to prohibiting the export or transit of arms and war material intended for Bolivia or Paraguay, the Council begs the Committee of Three at once to resume the examination of this question and to proceed to the consultations that are indispensable in order that measures may be taken, if need be during the next extraordinary session."

CONSULTATIONS OF THE COUNCIL COMMITTEE

In application of this resolution the Committee of Three consulted 35 Governments. It despatched telegrams to those represented on the Council the previous year requesting them to confirm their decision to associate themselves with an export and reexport prohibition should such be decided upon; another to Australia, elected to the Council last year, and to the 17 Governments named above, whose cooperation had been considered essential for the success of the measure when under consideration in March 1933 asking whether they were prepared to participate.

The same message was sent to the Government of Uruguay whose geographic position made her cooperation appear valuable.[29] Somewhat later telegrams were despatched to Japan, Latvia, and the U. S. S. R.[30]

The results of the Committee's consultations were embodied in a report to the Council, dated June 14, 1934.[31] This indicated that the attitudes of the 35 Governments consulted could, for the most part, be classified under three main categories: (1) Governments accepting without conditioning their action on the adoption of the proposal by other States; (2) Governments ready to accept a Council recommendation; and (3) Governments conditioning acceptance upon the adoption of the proposal by other States specified by name. Of the 20 Governments in group (1), five stated that they had effected prohibition of the sale of arms before replying.[32]

This report was communicated to the Council and Members of the League, together with a circular letter dated June 15, 1934,[33] in which the Committee Chairman pointed out that as certain Governments had already decided to enact measures it was up to those Governments which had informed him of willingness to join unconditionally in the action contemplated, to enact similar measures. The same, it was added, should be done by those Governments which had made their acceptance subject to certain conditions in cases where the conditions had been entirely or sufficiently fulfilled.

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[27] Council Minutes for the 79th Session (op. cit.), p. 755.

[28] Ibid., p. 766.

[29] Most of these telegrams were sent on May 19, 1934.

[30] In a letter dated June 2, 1934, the Italian Foreign Minister informed the Committee of Three of the States to whose adherence the Italian Government subordinated the adoption of the embargo measure. As the list included Japan and the U. S. S. R. telegrams were despatched to them on June 4, 1934, asking what action they were prepared to take.

[31] C.262.M.111.1934.VII.

[32] These replies are contained in documents C.218.M.86.1934.VII and C.218.M.86.1934.VII (a) through (g).

[33] C.L.109.1934.VII.

In an Annex appended to the report a text was drawn up which was thought might serve as a model for the communications that Governments would subsequently address to the Chairman in order, through him, to inform the other Governments of such measures as they might have decided upon or taken in consequence of the consultations which had taken place.

The replies to this communication indicated an augmentation in the number of Governments actually enforcing an embargo, but left much to be accomplished for a complete and really effective prohibition.

Further impetus was given to the embargo movement by a telegram despatced by the Committee Chairman on July 25, 1934, to 17 Governments at the request of the British Government.[34] This stated that in view of the fact it had learned that the Italian Government would prohibit the export of war material to the belligerents without any reservation as to current contracts, the British Government was ready to enact complete suspension of all exports of war material to Bolivia and Paraguay but before taking this action asked that other States indicate whether under the circumstances they were prepared to act likewise. The Chairman added that in addition to the replies already circulated the Governments of Spain, France, and the U. S. S. R. had informed him that they were prohibiting all exports of war material to Bolivia and Paraguay.

PRESENT STATUS OF THE EMBARGO

The status of the consultations, at the present writing, after 3½ months of negotiation, may be summarized as follows:

I. Governments which have notified the Secretariat that they have prohibited or on the point of prohibiting exportation and reexportation of arms from their territories: Argentine, Australia, Austria, Brazil, Canada, Czechoslovakia, Denmark,[35] France, Great Britain, Ireland, Italy, Lithuania, Netherlands, Poland, Portugal, Spain,[36] Sweden, Switzerland, United States of America, U. S. S. R., and Yugoslavia.

Of this group, all but the Czechoslovakian, Lithuanian, and Portuguese Governments have stated that they are actually enforcing an embargo.

II. The following Governments have declared willingness to take the proposed step without reservations: Belgium, China, Guatemala, Latvia, Luxemburg, Mexico, Panama.

III. Six Governments have made acceptance of the measure dependent upon the fulfillment of certain conditions which follow:

Germany made her acceptance conditional upon that of 19 other specified States. China conditioned her acceptance on that of all the other Governments consulted. Finland conditioned acceptance on that of 21 other States specified. Norway conditioned her acceptance upon that of Great Britain, Belgium, France, Czechoslovakia, Italy, the Netherlands, and Poland. Peru made acceptance conditional upon that of Chile. Uruguay indicated readiness to associate herself " with such measures as the League Council might decide to take provided they were agreed to by the neighboring countries."

IV. The Japanese Government declared that it could not participate in League affairs of a political character and as a result was unable to participate in the proposed embargo which was related to the provisions of Article XI and other Articles of the Covenant. It did, however, add that Japan had never exported arms either to Bolivia or Paraguay.

V. In connection with transit traffic across their territories, the neighboring States have raised the following points: Chile has stated that she will fulfill all her international obligations deriving from the competent organs of the League. Peru has noted that she will act similarly. Argentina has declared that all transit of arms across her territory as well as transshipment by river has been prohibited. Brazil has made no statement in this connection.

It may be added that during these 3½ months of consultation there has been considerable uncertainty concerning the status of the embargo. This has arisen from the fact that Governments have not replied in a uniform way and in several instances, while stating willingness to act, have not notified the Committee Chairman whether embargoes were actually in force in their territories. This in turn has delayed action on the part of those Governments which made their action conditional upon the enforcement of similar measures by the very States which have refrained from giving full information.

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[34] C.280.M.120.1934.VII and C.280 (a).M120(a) through C.280(f).M.120(f).

[35] The Danish Government's reply dated June 26 followed the model submitted by the Committee of Three. See p. 15.

[36] The Spanish Government's reply dated July 10 also followed the model.

When it is realized that the failure of one moderately important arms-producing country to prohibit shipments to the belligerents engaged in a conflict such as the Chaco, can largely nullify the effectiveness of the attempt to terminate hostilities, it becomes apparent that the delays just mentioned have been very detrimental to prompt success.

DIFFICULTIES IN APPLYING AN EFFECTIVE ARMS EMBARGO

This attempt to apply a general embargo on arms destined for Bolivia and Paraguay points clearly to the fact that simultaneous cooperative action on an international scale is unlikely to be effective without an established method of procedure.

Of the various difficulties that have arisen in connection with the present attempt, at least three may be described in some detail: The obstacle to prompt action presented by inadequate national legislative machinery; the tendency to diminish the efficacy of embargo measures by exempting previously contracted but undelivered orders; and the impairment of effective action resulting from the conflict of existing treaty obligations with restrictions on exports or transit traffic.

Elimination of the delays thus caused is essential to render the embargo an effective instrument.

NATIONAL LEGISLATIVE MACHINERY FOR ENACTMENT OF ARMS EMBARGOES

Analysis of Government replies concerning participation in a general arms embargo, and of the steps taken by them to prohibit in their territories the sale and export of arms, reveals the disparity of existing national legislative provisions for the imposition of an embargo.

The position of States varies in this respect from those with laws providing for the refusal to grant export licenses which have only to be declared in force, to those requiring the voting of a special grant of authority to empower the Chief Executive to effect such prohibition.

THE EXPORT LICENSE SYSTEM

Those countries having a system of control of exports through Government granted licenses are enabled to take prompt and effective action to prohibit arms shipments from their territories.

The legislative machinery in Great Britain is, for example, very simple. By an armaments Order-in-Council of May 1931[37] the Government has the power to prevent the shipment of arms and ammunition to any country or countries, merely by refusing to grant the necessary export licenses. This British method and its advantages were described by Sir John Simon during the debate in the Supply Committee at the time an arms embargo against China and Japan was under discussion in February 1933.[38] He said:

"* * * in this country we are provided with rather better machinery for the purpose of stopping the traffic than most countries, I think than any other, because we have an armaments Order-in-Council which means that when arms and ammunition according to a prescribed list are going to be exported from any port in the United Kingdom, they will only be passed by the Customs if a license is produced which authorizes that particular traffic to proceed."

The reply of the Netherlands Government indicates that "under Netherlands Law, the export of firearms and ammunition is permissible only in virtue of a license issued by the Netherlands Government." In order to effect an embargo on arms destined for Bolivia or Paraguay it was therefore only necessary for this Government to determine not to issue licenses for such exports. The same is the case in Australia and Sweden.

THE POSITION OF THE UNITED STATES

In other countries the legislative machinery for putting an embargo in force offers less facility for prompt action. In the United States, for example, where a Presidential embargo proclamation depends on the passage of a Congressional resolution, existing legislation provides only for the proclamation of an embargo, in the restricted field of domestic disturbances in Latin American countries and those where the United States exercises extraterritorial rights.[40] An attempt to modify this situation initiated early in 1933 has not as yet received the necessary Congressional approval.[41]

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[37] The Arms Export Prohibition Order, 1931. (See Statutory Rules and Orders issued in 1931, pp. 252–253.)

[38] Parliamentary Debates-Commons, vol. 275, Feb. 27–Mar. 17, 1933, pp. 55–56.

Procedure in the Chaco case clearly indicates the nature of legislative action necessary in the United States for applying an arms embargo. On May 18, 1934, a joint resolution was introduced in Congress to confer the necessary authority on the President to prohibit the sale of arms and munitions in the United States to Bolivia and Paraguay. It was passed by both Houses of Congress without a dissenting vote and approved by the President on May 28, on the same day he issued a proclamation [42] prohibiting sales and prescribing penalties for violations as provided in the joint resolution. Such action was possible in the Chaco case because Congress was in session; but to assure prompt action, if this should not always be the case, legislation would be required enabling the Executive to take effective decisions in his discretion.

COMPATIBILITY OF EMBARGO MEASURES WITH EXISTING TREATY OBLIGATIONS

Experience in the Chaco case indicates that one of the points demanding the consideration of a Government applying an arms embargo is the compatibility of such a measure with its existing treaty obligations.

In setting forth their attitude toward the embargo proposal transmitted by the Council Committee Chairman, certain Governments signified willingness to adhere within the limits of existing treaty obligations, while others specified the particular treaties action on their part would involve.[43]

In at least one instance an embargo declaration has been carefully worded in an effort to avoid violation of existing treaty obligations. The embargo proclamation of the President of the United States specifically prohibits only the sale of arms and munitions to the belligerents and places no express restriction on exports. This was deemed necessary to circumvent the provisions of treaties of peace and commerce between the United States and Bolivia [44] and the United States and Paraguay [45], providing that the signatories should make no restriction on imports and exports which did not apply to all other countries.

The Chilean Government informed the Council Committee that in regard to transit of arms it would carry out "all its international obligations deriving from the competent organs of the League and from its existing treaties." By a Treaty of Peace, Friendship, and Commerce signed by Bolivia and Chile on October 20, 1904, Chile so definitely guaranteed free transit of Bolivian goods across her territory that any move to prohibit transit traffic in the present instance might well be objected to by Bolivia as a violation of this engagement.

Article VI of this treaty provides: [46]

"The Republic of Chile recognizes in favour of that of Bolivia, and in perpetuity, the fullest and most unrestricted right of commercial transit through her territory and ports on the Pacific.

"Both Governments will make by special agreements, the necessary regulations to insure, without prejudice to their respective fiscal interests, the purpose above referred to."

In addition, by Article VII Bolivia acquired the right to establish Customhouse agencies at the ports she chose, for carrying on her trade. At the time she selected Antofagasta and Arica.

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[40] See above, pp. 3 ff.

[41] For the record of the joint Congressional resolutions authorizing the President to prohibit exports of arms and munitions of war from the United States under certain conditions see Appendix III.

[42] See Appendix IV.

[43] The Government of Panama stated that subject to free transit through the Panama Canal, in accordance with Clause XVIII of the treaty of Nov. 18, 1903, between Panama and the United States, it would undertake to prohibit on its territory the export and reexport of arms.

[44] Treaty of Friendship, Commerce, and Navigation between the United States of America and the Republic of Bolivia concluded May 13, 1858. Article VI reads: "* * * nor shall any prohibition be imposed on the exportation or importation of any articles the produce or manufacture of the United States, or of the Republic of Bolivia, to or from the territories of the United States or to or from the territories of the Republic of Bolivia, which shall not equally extend to all other nations." British and Foreign State Papers, Vol. 48, p. 762. (Subsequently referred to as State Papers.)

[45] This treaty, signed on Feb. 4, 1859, contains the same provisions concerning restrictions on exports as the Bolivian one already cited. (*See* Ibid., Vol. 49, p. 487.)

[46] State Papers, vol. 98, pp. 767–768.

Action on the part of other neighboring States has been checked for somewhat similar reasons. Peru, for example, has conditioned her transit policy, basing it on that of Chile.[47] Argentina has not found it possible to check effectively river transport of arms and munitions shipments destined for the belligerents.[48]

This problem of existing treaty obligations is one more indication of the unpreparedness of countries for cooperating promptly and effectively in a general embargo movement, and points to the need for thorough consideration of the steps which must be taken to remove national obstacles or fill in national legislative lacunae which seriously impair the effectiveness of action attempted on an international scale.

APPLICABILITY OF EMBARGO MEASURES TO PREVIOUS CONTRACTS

As the object of an arms embargo on an international scale is to prevent supplies of arms from all sources reaching the belligerents, any reservation which exempts orders already contracted for greatly reduces the effectiveness of the move as a coercive measure directed at the termination of hostilities.

The question of retroactivity has been raised in the case of the Chaco embargo by several Governments.[49]

American procedure in this connection may be outlined as follows: In the months just preceding the Presidential proclamation American airplane firms and manufacturers of ordnance and other war material had entered into large contracts with both belligerents, but especially with Bolivia, calling for delivery within the coming year. Although the value of these contracts is not known, some idea of it may be gained from the information that during 1933 and the first 3 months of 1934, American firms exported approximately $500,000 in armaments to Bolivia, and approximately $100,000 to Paraguay.[50]

As the President's embargo proclamation made no mention of contracts entered into before May 28, 1934, shortly after it was issued armaments firms asked the State Department for clarification as to the status of sales to Bolivia previously contracted for. During the first weeks of June several attempts at shipment of such orders were made and 4 or 5 shipments were seized pending a decision by the Attorney General.

The Bolivian Government protested to the United States Government on June 21, 1934, against such interpretation of the Congressional resolution as would prohibit the shipment of munitions contracted for before May 28, whether ready for shipment or not on that date.

The final ruling of the United States on this question was that only arms contracted for by the Bolivian Government paid for in whole or in part and of which manufacture was wholly or virtually completed before May 28 could be shipped. These exceptions, it was held, were made on grounds of equity to the Bolivian Government. In his message to the Chairman of the Council Committee,[51] the Secretary of State said:

"Shipments pursuant to the sales which have been excepted, including five airplanes, will probably be completed within a week or 10 days. As all outstanding contracts have been examined and as my Government has determined to grant no further exceptions, no arms and munitions will leave the United States for Bolivia or Paraguay after those referred to have been exported until such time as the prohibitions of the resolution are rescinded by the President or by Congress."

The Swiss Government at first notified the Committee that it had prohibited all export of armaments and war materials to the belligerents and subsequently announced that it would have to except a small order for some 25 semiautomatic rifles in course of fulfillment on the date of the Government decision.[52]

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[47] The Peruvian reply to the Council Committee's telegram of May 19, 1934, states that "the Peruvian Government would make the application of the measures adopted by the League conditioned upon the steps taken by the Chilean Government in the matter, since Peru and Chile are in a similar situation as regards the reexport of war material to Bolivia." (C. 218.M.86.1934.VII.

[48] A Treaty of Peace, Friendship, Commerce, and Navigation between the Argentine Republic and Bolivia of July 9, 1868, states that "no prohibition, restriction, or charge may be imposed on the reciprocal commerce of both countries, unless in virtue of a general arrangement applicable to the commerce of all other nations." State Papers, Vol. 72, p. 604.

[49] Finland, Italy, Norway, Switzerland, and the United States.

[50] Possible explanation of the smallness of these figures may be exportation of munitions to neighboring South American countries from which they have been transferred to the belligerents. It is, for example, generally believed that the large shipments which have gone to the Argentine Republic have furnishel Paraguay with supplies of war materials.

[51] The message was transmitted by the American Minister to Switzerland, Hugh Wilson. C. 218(*h*). M. 86(*c*). 1934. VII.

The Norwegian Government signified willingness to apply an embargo but reserved the right to make shipments on contracts already in hand up to December 1, and the Finnish Government reserved the right to issue export licenses during a period of 1 month after the introduction of such a prohibition, so far as they related to supplies to be delivered under previously concluded contracts.[53]

When the Italian Government replied to the Council Committee's telegram of May 19, 1934, it based acceptance of the proposed measure on its stand of the year before which had expressly excepted unfulfilled contracts.[54] It was stated in unofficial circles at the time that the Italian stand had been taken to exempt from prohibition a large order of Fiat airplanes not yet delivered to Paraguay.[55]

The reservations mentioned range from those of undefined limits to those providing for the fulfillment of a single order of a specified size. The extent to which the first type of reservation may nullify the effectiveness of an embargo is apparent. In the case of large orders which have been placed shortly before the declaration of an embargo, their fulfillment would provide the contracting belligerent with sufficient supplies to continue hostilities for an unlimited period.

The claim that refusal to fulfill such contracts would violate an engagement, whether or not legally sound, indicates the necessity for establishing a general regulation covering the question of retroactivity, if the embargo is to become an effective instrument.

The fact that action has been taken in the Chaco case without any assignment of responsibility or attempt to determine the aggressor has put action under Aricle XVI, which provides for sanctions, quite out of the question. The application of an embargo against both parties to the dispute has been recognized by several Members of the League as exceptional action not to be established as a precedent.

Italy, for example, has informed the Committee Chairman that[56] * * * in principle, the prohibition to supply war material to belligerent countries cannot be considered as a measure to be adopted apart from the procedure laid down in the Covenant for the settlement of a dispute, and without the previous determination of the State or States which must be held responsible for the conflict itself * * *" and that the Italian Government would consider its action an exception in consideration of the special circumstances of the Bolivia-Paraguay conflict.

The Polish Government, when replying to the Committee Chairman's circular letter of July 25, stated that it shared the view of the Italian Government in regard to the actual principle of the application of the embargo.

The complications involved in an attempt to enforce an international embargo on arms alone, as revealed by experience in the Chaco case, gives cause to question the possibility of applying that Article of the Covenant (XVI) providing for general economic sanctions about which there has been much general talk. The international economic and political interests involved in the Chaco case are negligible, and the war is therefore looked upon by most Governments as comparatively unimportant, which means that conditions for prompt and effective action for an international embargo are as favorable as they would ever be, and more so than would usually be the case.

A problem for League Members, that is all the States consulted except the United States and the U. S. S. R., transcending the specific difficulties just outlined is the fact that no formal recommendation for action has been made by the competent bodies of the League. Several Governments have signified readiness to adopt a Council recommendation,[57] but no such directive has been forthcoming. In other words technically the embargo move is not a League measure, although organized through the League agencies. Consultations have been carried on by the Chairman of the Council Committee, but he has expressly stated that such action as the Governments take is taken individually and therefore in no way involves the League Covenant.[58]

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[52] C. 280 (*e*). M. 120(*e*). 1934. VII.

[53] C. 280(*b*). 1934. VII.

[54] C. 218(*c*). M. 86(*e*). 1934. VII.

[55] A similar attitude was adopted by the Italian Government at the time of the 1919 attempt to place an embargo on arms destined for China. At this time the Japanese maintained that the Italian reservation made it impossible for the Japanese Government to continue prohibiting Japanese merchants from filling previously contracted orders if other countries were not going to act similarly. (See Conference on the Limitation of Armaments, Washington, Nov. 21, 1921–Feb. 7, 1922, p. 1488. See above, p. 2202.)

[56] C. 280(*h*). M. 120(*h*). 1934. VII.

[56] C. 322(*e*). M. 146(*e*), 1934. VII.

[57] See p. 9.

Had the Council formally recommended adoption of embargo measures, Governments might well have taken more rapid action. Furthermore, the hesitations of the neighboring States as to the compatibility of restrictions on transit traffic, which have diminished the effectiveness of the attempted embargo might, in large part, have been obviated.

BOLIVIAN OBJECTIONS TO THE EMBARGO

Ever since its presentation by Captain Eden, on May 19, the arms embargo proposal has met with vigorous Bolivian objections.[59]

Bolovian opposition springs from the belief that country would suffer more from a restriction on armaments supplies than would Paraguay. In support of this, the inequalities between the two countries in geographic position, arms stocked, and means for their production, are specifically cited, and on the basis of these claims a legal argument has been built up. It has been maintained that an embargo can never be equally effective against two countries at war, and that in this particular case an attempt at identical treatment of two countries in unequal positions works great injustice.

INCOMPATIBILITY WITH THE LEAGUE COVENANT

The incompatibility of such a measure with the spirit and even the letter of the Covenant of the League of Nations is the central point around which the Bolivian legal argument against an embargo has been built. The general question of sanctions has been raised and the provisions of Article XVI considered. In addition, it has been argued that the embargo violates certain provisions of Articles VIII, XX, XXIII.

In regard to sanctions the following has been maintained: The Covenant lays down a number of elastic procedures for the solution of international difficulties and, in addition contemplates an exceptionally serious case for which it provides a system of collective pressure—a system of sanctions. The case is that in which action has to be taken to punish an aggression committed against a League Member. Decision as to the aggressor must precede the enforcement of sanctions. As an arms embargo is a sanction it should not be applied until responsibility has been determined. The Commission of Enquiry sent to the spot expressly avoided the question of responsibility in the Chaco conflict,[60] and it is not, therefore, legitimate to enforce a measure which implies equal culpability.

OBJECTIONS TO THE ACTIVITIES OF THE COMMITTEE OF THREE

In view of the express reservation made to the embargo proposal by the Bolivian delegate on May 18, Bolivia has argued that the Council should never have adopted the resolution of May 19,[61] on the basis of which the Committee has carried on consultations with Governments concerning the arms embargo.

The model draft text[62] submitted to Governments as a form they might follow when replying to the Committee has been held to constitute an unfair appeal to the Powers by the Committee. The Committee is a Council body and cannot take sides in a question sub judice by the Assembly.

Objections of this general type are bound to arise in connection with any effort to bring pressure to bear on the parties to a conflict. In this case they indicate the novelty of an international attempt to apply an arms embargo equally against both parties.

CONCLUSIONS

While analysis of the difficulties encountered in this first attempt to effect an embargo on a general international scale indicates quite clearly the complications involved in this type of international action for dealing with disputes, it does, at the same time, suggest ways of eliminating some of the obstacles.

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[58] C. 315. M. 141. 1934. VII.

[59] Bolivian objections are recorded in the Official Journal, 15th year, No. 7 (Part II), Minutes of the 79th and 80th Extraordinary Council Sessions.

[60] Report of the Commission of Enquiry C. 154. M. 64. 1934. VII. p. 51 ff.

[61] For the resolution text see above p. 2203.

[62] Annexed to C. 315. M. 141. 1934. VII.

The Chaco experience indicates that the effectiveness of an arms embargo depends (1) on simultaneous international action; (2) promptly taken; (3) without reservations. It further suggests certain steps which Governments could take with a view to achieving this effectiveness: (1) all exports of arms should be controlled by a license system; (2) in cases where existing legislation does not permit immediate action for withholding the necessary licenses, it should be passed; (3) pending the establishment of a license system, countries such as the United States should pass legislative measures authorizing the Executive to take embargo action in his discretion in cooperation with other States.

While the Chaco record is not altogether reassuring, the fact that the majority of Governments consulted have in the long run agreed to enforce an arms embargo in their territories indicates that there is no insurmountable obstacle in the way of such international action. It is not impossible that with the perfection of national machinery for participating in an embargo limited to this one class of export, and with an unequivocal recommendation by a competent body of the League for its adoption, the arms embargo might become an effective instrument for dealing with disputes by international action. In this event the experience gained in the Chaco attempt should prove valuable.

Appendix I

EMBARGO PROCLAMATIONS LISTED BY THE SECRETARY OF STATE[63]

1. March 14, 1912 (revoked Feb. 3, 1914), applying to Mexico.
2. October 19, 1915 (revoked Jan. 31, 1922), applying to Mexico.
3. March 4, 1922 (still in force), applying to China.
4. January 7, 1924 (revoked July 18, 1929), applying to Mexico.
5. March 22, 1934 (still in force), applying to Honduras.
6. May 2, 1924 (revoked Aug. 29, 1924), applying to Cuba.
7. September 15, 1926 (still in force), applying to Nicaragua.
8. October 22, 1930 (revoked Mar. 2, 1931), applying to Brazil.

Appendix II

PROVISIONS OF THE LEAGUE COVENANT RELEVANT TO THE TEXT OF THIS STUDY

Article XI

1. Any war or threat of war, whether immediately affecting any of the Members of the League or not, is hereby declared a matter of concern to the whole League, and the League shall take any action that may be deemed wise and effectual to safeguard the peace of nations.

Article XV

1. If there should arise between Members of the League any dispute likely to lead to a rupture, which is not submitted to arbitration or judicial settlement in accordance with Article 13, the Members of the League agree that they will submit the matter to the Council. Any party to the dispute may effect such submission by giving notice of the existence of the dispute to the Secretary-General, who will make all necessary arrangements for a full investigation and consideration thereof.

3. The Council shall endeavor to effect a settlement of the dispute and, if such efforts are successful, a statement shall be made public giving such facts and explanations regarding the dispute and the terms of settlement thereof as the Council may deem appropriate.

4. If the dispute is not thus settled, the Council, either unanimously or by a majority vote, shall make and publish a report containing a statement of the facts of the dispute and the recommendations which are deemed just and proper in regard thereto.

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[63] Department of State Press Releases, No. 248, p. 455.

APPENDIX III

RECORD OF THE CONGRESSIONAL RESOLUTIONS AUTHORIZING THE PRESIDENT TO PROHIBIT EXPORTS OF ARMS AND MUNITIONS OF WAR FROM THE UNITED STATES UNDER CERTAIN CONDITIONS

The Secretary of State reported to the President on January 10, 1933, that "this Government is hampered in the efforts of its diplomacy by the inadequacy of the authority of the President over the export of arms and munitions of war from the United States", and urged that the President's authority be increased to enable the Government "to cooperate with other Governments in dealing with some of the conflicts of arms, actual or threatened, with which the world is now confronted."

The same day, in a special message to Congress, President Hoover asked for the passage of legislation "conferring upon the President authority in his discretion to limit or forbid shipment of arms for military purpose in cases where special undertakings of cooperation can be secured with the principal arms manufacturing countries."

In connection with this proposal, a joint resolution was passed by the Senate on January 12, 1933, reading as follows:

"*Resolved*, That whenever the President finds that in any part of the world conditions exist such that the shipmen of arms or munitions of war from countries which produce these commodities may promote or encourage the employment of force in the course of a dispute or conflict between nations, and, after securing the cooperation of such governments as the President may deem necessary, he makes proclamation thereof, it shall be unlawful to export or sell for export, except under certain limitations and exceptions as the President prescribes, any arms or munitions of war from any place in the United States to such country or countries as he may designate, until otherwise ordered by the President or by Congress.

"Whoever exports any arms of war in violation of Section 1, shall, on conviction, be punished by a fine not exceeding $10,000 or by imprisonment not exceeding 2 years, or both."

After the passage of this resolution, however, the Senate voted to reconsider it. During the Seventy-second Congress the resolution was not voted on by the House of Representatives. On April 5, 1933, the new Secretary of State wrote to the Chairman of the House Foreign Affairs Committee stating that he was "strongly of the opinion that this legislation should be enacted", and shortly afterwards, on April 17, it was passed by the House during the Seventy-third session. On February 28, 1934, the resolution was passed by the Senate with the following proviso:

"*Provided, however*, That any prohibition of export or sale for export, proclaimed under this resolution shall apply impartially to all the parties to the dispute or conflict to which it refers."

Action on the resolution with this proviso has not yet been taken in the House of Representatives.

APPENDIX IV

PROCLAMATION, NO. 2087, ENTITLED "SALE OF MUNITIONS OF WAR TO BOLIVIA AND PARAGUAY"

Whereas section 1 of a joint resolution of Congress entitled "Joint resolution to prohibit the sale of arms or munitions of war in the United States under certain conditions", approved May 28, 1934, provides as follows:

"That if the President finds that the prohibition of the sale of arms and munitions of war in the United States to those countries now engaged in armed conflict in the Chaco may contribute to the reestablishment of peace between those countries, and if after consultation with the governments of other American republics and with their cooperation, as well as that of such other governments as he may deem necessary, he makes proclamation to that effect, it shall be unlawful to sell, except under such limitations and exceptions as the President prescribes, any arms or munitions of war in any place in the United States to the countries now engaged in that armed conflict, or to any person, company, or association acting in the interest of either country, until otherwise ordered by the President or by Congress."

And whereas it is provided by section 2 of the said joint resolution that:

"Whoever sells any arms or munitions of war in violation of section 1 shall, on conviction, be punished by a fine not exceeding $10,000 or by imprisonment not exceeding 2 years, or both."

Now, therefore, I, Franklin D. Roosevelt, President of the United States of America, acting under and by virtue of the authority conferred on me by the said joint resolution of Congress, do hereby declare and proclaim that I have found that the prohibition of the sale of arms and munitions of war in the United States to those countries now engaged in armed conflict in the Chaco may contribute to the reestablishment of peace between those countries, and that I have consulted with the governments of other American republics and have been assured of the cooperation of such governments as I have deemed necessary as contemplated by the said joint resolution; and I do hereby admonish all citizens of the United States and every person to abstain from every violation of the provisions of the joint resolution above set forth, hereby made applicable to Bolivia and Paraguay, and I do hereby warn them that all violations of such provisions will be rigorously prosecuted.

And I do hereby enjoin upon all officers of the United States, charged with the execution of the laws thereof, the utmost diligence in preventing violations of the said joint resolution and this my proclamation issued thereunder and in bringing to trial and punishment any offenders against the same.

And I do hereby delegate to the Secretary of State the power of prescribing exceptions and limitations to the application of the said joint resolution of May 28, 1934, as made effective by this my proclamation issued thereunder.

In witness whereof, etc.

EXHIBIT NO. 813

COLT'S PATENT FIRE ARMS MFG. COMPANY,
Hartford, Connecticut. Year 1917.

In re Patent Valuation.
COMMISSIONER OF INTERNAL REVENUE,
Washington, D. C.

DEAR SIR: A great many of the patents owned by taxpayer were basic patents, capable of subsequent improvement, continuing the life and value of the patents set up in the schedule.

The patent of September 30, 1902, to John M. Browning, made possible the modified Browning gun which is today the service weapon in the United States Army and Navy.

The same principle of recoil of the breach block, automatically operating to eject the empty shell and load the chamber, is found in our shotgun, automatic pistol, and machine gun.

What would a prospective purchaser, who wanted to buy our plant and continue our line of business, be willing to give for our patents just prior to March 1, 1913?

If we are to intelligently answer this question, we must, as far as possible, take into consideration the facts as they existed in 1913.

The Russian Army had been defeated at Mukden by the Japanese, following which the French loaned 62,500,000 francs to the Moroccan Government and assumed the protectorate over Morocco.

In 1905 Kaiser Wilhelm disembarked from his yacht at Tangier and visited the Sultan, having made a speech that "Morocco will remain, open to the peaceful rivalry of all nations, without monopoly." This was a veiled threat against France, and in a sense, against England.

In 1905 the Sultan of Morocco demanded a conference of the European powers upon the French protectorate, and Germany announced that she would stand behind the Sultan. This placed France in a peculiar position because of the treaties with Italy, Great Britain, and Spain. Germany took this position at a time when Russia was weakened by defeat at the hands of the Japanese. France was forced to accept the Sultan's request for a conference, which was known as the Algeciras conference held in 1906. This conference was fraught with eminent danger. Sir Edward Grey made a declaration to the French ambassador that if war was forced on France, in his view "public opinion in this country would rally to the material support of France."

Following this conference Sir John Fisher, First Lord of the British Admiralty, commenced his shipbuilding program, building the dreadnought and vessels of that type. Germany entered upon her shipbuilding program and enlarged the Kiel Canal.

About 1907 Russia and England made a treaty, following which Great Britain, France, and Russia formed the Triple Entente.

The two Turkish Provinces of Bosnia and Hersegovinia had been turned over to the administration of Austria-Hungary by the agreement of the powers in the Congress of Berlin. Serbia was a land-locked nation and desired these two Provinces to give her an outlet to the sea. The population of the countries was closely allied in blood, religion, and customs. Without any warning to European nations, Emperor Francis Joseph, of Austria, issued his proclamation on October 7, 1908, announcing the annexation of Bosnia and Hersegovina. Austria's action in this respect raised a crisis of the first magnitude. She was a signatory to the Declaration of London, wherein it was specifically stated that "contracting powers could rid themselves of their treaty engagements only by an understanding with their cosignatories." Austria's action in this respect struck, on the one hand, at the sacredness of the treaty obligation and, on the other hand, at the existing political situation, greatly offending Serbia and arousing France, England, Russia, and possibly Japan. All the great powers immediately protested. The Balkan powers, including Serbia and Montenegro, prepared for war. Russia announced its sympathy with Serbia; Turkey was embarrassed by the seizure of a part of her territory and protested to the nations; the answer of Austria-Hungary was the mobilization of her entire Army on the frontier. Austria took the stand that the issue concerned herself and Turkey alone and refused to consider a Congress. The Serbian Crown Prince called on the Czar at St. Petersburg, and on his return Serbia mobilized its Army. Prince von Bulow, the German imperial chancellor, notified Sir Edward Grey that "Germany could not, any more than Austria-Hungary, allow the discussion of the annexation by the conference" of the powers.

German diplomacy worked feverishly in Turkey, and the Turkish chamber finally ratified Austria Hungary's action. This affair was a live issue until July 1914, and the feeling it created never died down until the war.

Italy had declared war on Turkey in 1911 and seized important seaports.

Morocco was in rebellion against the Turks; France had sent an armed force into Turkey as far as Fez, and Germany countered by sending the gunboat *Panther* to the harbor of Agadir, in 1911.

At this time Mr. David Lloyd George made a statement that Great Britain would stand with her ally France, because of the Entente agreement.

In 1911 Herr von Heydebrandt sounded the keynote in a notorious anti-British speech in the Reichstag:

"Like a flash in the night all this had shown the German people where the enemy is. We know now, when we wish to expand in the world, when we wish to have our place in the sun, who it is that lays claim to world-wide domination. * * * We shall secure peace, not by concessions, but with the German sword."

General von Bernhardi at this time published his famous book "Germany and the Next War." Treitschke's lectures, bitterly anti-British in tone, were read and taken to heart. The German people were led to believe all the theory of Great Britain's malevolence toward Germany, to feel the encircling ring being drawn around their own country by British diplomacy.

Austria mobilized her army as a gesture against Russia and Serbia. In 1912 Germany announced that it would support Austria, and France declared it would stand by its allies in the Balkan states. The home-rule bill practically caused civil war in Ireland, and the Ulsterites were arming to resist it. Chile and Peru were arming over a boundary question. Mexico had reached such a condition that public opinion in the United States demanded intervention as early as 1910.

France increased its peace-time army by 100,000 men in the year 1911, and its artillery from 1,000 to 3,000 guns; Russia raised its army from 1910 to 1912 from 500,000 to 950,000.

We had two wars in the Balkan Peninsular in 3 years. The field and staff of the regiment of British Infantry practically rebelled when ordered into Ireland.

Firearms manufactured by the taxpayer had been approved and adopted as the service weapon by the United States Government in 1911, and documents on file in our office contained many complimentary references as to the workmanship, accuracy, serviceability, and durability of our product. With the conditions in Europe known, and constant inquiry being made by representatives of foreign governments, we had every reason to believe there would be a great demand for our product, and because of this belief, we commenced the organization of a sales force in 1908 and 1909.

Mr. Samuel Stone and Mr. Frank Nichols, both officials of the company, had gone to Europe for the purpose of creating an organization to represent this company in the countries of continental Europe, Asia, and the Far East, and in 1913 we were receiving inquiries from all over the world.

John M. Browning was recognized as the foremost inventor of firearms to be used in the war, and we had a contract with Mr. Browning which gave us a right to any and all inventions or improvements which he made. At this point it would be proper to analyze the elements which go to make up value:

1. *Stage of development.*—This enterprise was practically founded and maintained upon a manufacture of articles under our patents, and on March 1, 1913, the enterprise had been brought to the point of profitable operation.
2. Patented articles existed in the shape of complete designs, drawings, tools, fixtures, and equipment to manufacture the same.
3. There were no problems of patent production. All of these problems had been encountered earlier and successfully relieved.
4. *Mechanical development.*—The articles found to be basically correct in principle and application had been brought to operative perfection.

All the experimental work had been done; there was no longer the question of trying out, substitutions, changes, and adjustments.

The practical working mechanism had been obtained and approved by the United States Army.

5. *Manufacturing problems.*—The machinery, tools, gauges, dies, and general equipment had been purchased and put into operation. We manufactured these weapons and delivered them to the United States Army in large quantities, and this fact must be considered and cannot be considered apart from the fact that we had organized and coordinated a force of workmen capable of making these articles. We had increased the jigs, gauges, and small tools used in the manufacture of our .45 pistol from $6,000.00 to $51,000.00 in two years, and we had the workmen that knew how to use them.

6. The sole remaining question is that of market.

There are various kinds of market:

1. The steady demand to supply public consumption.
2. Demand for special reasons in an emergency.
3. The demand created by anticipated emergency.
4. The purchase in time of plenty against the time of shortage.

It is idle to suppose that strategians would wait until war was declared and then attempt to secure the equipment necessary for an army.

If the weapons manufactured under our patents were better than equipment then in the hands of the various armies, we knew we had a market for our goods. If our patents were such that they could not be infringed, or a weapon manufactured by competitors that would perform nearly the same function, in the same way, we had a right to look forward to a practical monopoly of an unlimited market.

We claim that in 1913 we had patents which could not be infringed, and that by employing these patents, we could manufacture an article superior to that made anywhere else in the world, and subsequent events proved beyond question that our opinion was conservative in the extreme.

We claim that, in actual test of service, our weapons would stand up and do the work required of them in such a manner as to create a demand which would tax our capacity.

In 1911 we had received written communications from Army officers representing the United States Government which showed that our firearms had, in actual test maintained supremacy and earned a record which was astonishing.

We call your attention to the long report of the Ordnance Board conducting tests, the criticism of various weapons and suggested improvements, and following each paragraph the terse sentence " Colt's functions perfectly."

We have exhibited a letter from the War Department, dated March 29, 1911, containing this all-important sentence in reference to the firearms manufactured under our patents, " has passed the prescribed test and has been adopted for the service, etc."

We have submitted letters from the officers of the Infantry School and the Cavalary School where these weapons were set for test in competition with other weapons, wherein no less than six separate places in the report, the officers reported it to be the most efficient and best working small arm that they " had ever handled."

We want to again emphasize the fact that it takes a long time for the officials of governments to reach a conclusion and enter a purchase order for fire arms. It is not done in a few months.

Frequently after a gun is found to fill all the requirements, a delay is caused by the failure of the lawmaking body to make appropriations for the purchase. It is our experience that it requires from 2 to 5 years to have weapons tested, accepted as a service arm, get the necessary appropriations for their purchase, make the contract for the purchase and commence deliveries.

The contracts with the United States Government, which have been accepted and which will be produced again, were rushed through so as to enable our Government to have a supply of this very desirable weapon before our factory became crowded with orders from foreign governments.

The army officers of the United States did not have immediate use for the weapons which they purchased from 1911 to 1913. Our troops were armed with the Colt's service revolver caliber .38 and caliber .45, and we claim that the reason the Government placed these large orders and bought in these quantities at this time was to get our production before we were swamped with orders which everybody knew we were bound to get.

The Russian business which we commenced in 1909, when Mr. Stone and Mr. Nichols were in Europe, really culminated in the purchases under which we made deliveries in July 1915.

The contracts with the United States Government, with deliveries assigned to the British Navy is an eloquent testimonial as to the knowledge on the part of the officials of our Government that fire arms would be in demand or required by European nations.

Delivery in Canada, for Great Britain, was made on purchase orders and contracts beginning as early as 1914, and continuing uninterrupted to 1916.

On going over this file for the purpose of getting this information, taxpayer's attorney finds copies of exhibits, statements, etc., all of which were filed or exhibited to the Income Tax Unit at the time that this question was before the Unit.

At that time $3,500,000 was considered a safe low patent valuation, and an agreement was made to accept this figure for the purpose of expediting the settlement of this case. After all parties had agreed to this figure, the Solicitor for the Bureau of Internal Revenue (Mr. Hartshorn) ruled that we could not have the benefit of this valuation because it had not been claimed in the original returns filed by the taxpayer. This feature was gone over very exhaustively by Mr. Paul Cain, Assistant Chief of the Consolidated Unit, and with the auditors then employed in the Unit, a careful and painstaking examination was made and correspondence, contracts, etc., were examined.

The Solicitor's ruling prevented the settlement of the case and the closing of 1917. It was held open awaiting the decision from the courts on the question of patent amortization. The final decision was consistent with the contention of the taxpayer's attorney and upset the ruling of the Solicitor, and we most earnestly and vigorously protest against raising the question of values about three years after the question was finally settled and determined by the proper authorities.

Our documentary evidence was examined by the representatives of the Commissioner, and the value of $3,500,000.00 was offered and accepted by the taxpayer. Assuming the question to be settled, the documentary evidence was not all preserved.

We respectfully urge upon the unit that the general scheme of our corporation and the manner of handling its patents can be briefly stated to be as follows:

A. We own patents which cannot be infringed.

B. We developed improvements from time to time.

C. In many cases it would be impossible to manufacture the improved weapon unless we owned the basic patent.

Our company was continually experimenting and developing, and this experimentation and development was a part of our business. Because of the character of our business, it is not possible to show the profit in any particular contract. We show a profit or loss from the operation of our plant. It is not possible to entirely disassociate the tremendous demand for our product in 1917 and 1918 from the judgment which the board of directors would have as to value of our patents in 1913.

We appreciate the extraordinary demand occasioned by the World War. We knew that a tremendous conflict was brewing in Europe; we felt this in 1908 and spent the money necessary to organize and maintain a sales force all over Europe.

From 1911 to 1913 the world was awakening to the fact that Germany was placing the "rapid-fire gun or machine gun" in the hands of its infantry soldiers.

Along in the years 1910 and 1911, the directors felt that we produced the best rapid-fire arm in the world and that our patents protected us from infringement; in fact, that we were safe from competition. This opinion, on the part of the board of directors, was later proved to be the fact, because at least ninety percent of the guns used by the United States and its Allies in the World War were manufactured under our patents, and the United States Government paid us one million dollars for manufacturing rights, and the Fairweather affidavit shows some of the items received from other companies.

We call attention to the affidavit of Mr. Fairweather showing gross sales and a photostatic copy of ledger account of royalties received from the Marlin-Rockwell Company under its contract, which will be exhibited. The contract with the United States Government is in the printed brief on file.

On page 176 of American Munitions, by Assistant Secretary of War Benedict Crowell, the production of Browning heavy aircraft and tank machine guns and machine rifles is given as follows:

Browning:	
Heavy	56, 608
Aircraft	580
Tank	4
Automatic machine rifles	69, 960
Total	127, 152

This taxpayer owned the basic patents and all improvements, so that every one of these guns were manufactured and sold under patents controlled by the taxpayer.

That we had great value and prospects in 1913 is reflected by the fact, as set forth in the affidavit of Edward J. Paul, showing that in 1908 stock was sold for 79½ and in 1913 was 182, an increase of over double the price, with the par value $100.00 per share. The Penfield affidavit shows dividends paid in 1908 of $162,500.00, with earnings of $251,451.26. Our earnings had increased to $653,659.29, or practically three times this volume of business, in 1913.

We invite your attention to the column of earnings as set forth in the Penfield affidavit—not a jump from $251,000.00 in 1908 to three-quarters of a million dollars in 1913, but a steady growth, year to year, showing that increased sales and steady growth looked toward the equipment of armies and navies for the titanic struggle that every intelligent person knew was bound to come very soon.

Negotiations were pending with foreign governments which later culminated in contracts. The Russian situation, which commenced in 1908, was fraught with some difficulties because the Russian finances had not recovered from the Japanese War. Subsequently we did a lot of business with Russia, Sweden, Argentine Republic, Spain, and Great Britain, and this business went from 1913 on to the end of the war.

Respectfully submitted.

Benedict W. Holden,
Attorney for Colt's Patent Fire Arms Mfg. Company.

Exhibit No. 814

I, Frank C. Nichols, of the city of Hartford, county of Hartford, and State of Connecticut, being duly sworn, depose and say:

That I am vice president of the Colt's Patent Fire Arms Mfg. Co. and have been connected with that company since 1901 and became general sales manager for the company in 1905.

Prior to 1910 we manufactured pistols and machine guns for the United States Army, Navy, and Marine Corps, and our orders for pistols and revolvers averaged from around 1,000 to 2,000 per annum.

During 1910 the U. S. Ordnance Department conducted exhaustive competitive tests of automatic pistols presented by various manufacturers; the Government adopted as standard side arm the Colt automatic pistol, and so reported to us officially in letter from the office of the Chief of Ordnance, dated March 29, 1911. Following that decision, the Government placed orders as follows during the years 1911 and 1912:

5/5/1911	for	31, 344	pistols	2/5/1912	for	3, 325	pistols
8/28/1911	"	4, 000	"	3/16/1912	"	2, 300	"
11/20/1911	"	7, 000	"	12/2/1912	"	4, 823	"
11/20/1911	"	1, 229	"	12/5/1912	"	16, 110	"
11/21/1911	"	1, 508	"				
11/21/1911	"	760	"	1912—		26, 558	
12/9/1911	"	171	"				
1911—		46, 012	"				

This business taken in 1911 and 1912 was greatly in excess of any purchases made by the United States Government prior to 1910, but was along the general trend of business coming to us from foreign governments. From 1910 our business with the United States Government steadily increased in accordance with our expectations, and the conservative estimate of the increase would be over 1,000%.

About this time we commenced active negotiations with the Russian Government, and about 1910 I made a trip to Europe to interview the officials of the Fabrique Nationale d'Armes de Guerre in Belgium, which company manufactured firearms similar to the product of the Colt's Patent Fire Arms Mfg. Co. The purpose of my trip was to enter into some arrangement with that company to secure joint action of the two companies in supplying the demand which was then steadily increasing throughout continental Europe. Partly because of the result of the negotiations which were commenced at that time, we subsequently received orders from Russia for pistols and machine guns; and in 1910, '11, and '12 we sold firearms manufactured under patents owned by this company in increasing quantities throughout Europe and South America, to nations that had not before been customers of this company.

In 1910 the company was equipped to manufacture the firearms covered by patents owned by it and, acting under instructions from the board of directors and in conformity with the policy approved by the board of directors, we engaged salesmen to travel throughout continental Europe and South America. From 1910 until 1914 we had five or six men in continental Europe and maintained an office and a stock of small arms in London, England. In addition to this, we put salesmen in the field in South America, sent one direct representative to China and the Far East, and also placed a direct representative in Australasia.

In 1910 the company had tools, machine fixtures, and gauges to be used in connection with making automatic pistols, Government model, to the value of $6,000.00. Confident of the increase in business, the company added to its investment in tools, machine fixtures, and gauges, so that in 1912 this item represented $51,000.00 for the automatic pistol alone. We organized a force of workmen with the necessary foremen and overseers, and it was not necessary to make further investment in tools, machine fixtures, or gauges to enable us to do a business in pistols and machine guns during 1916 of $10,034,508.

Our board of directors knew that there was a market for our product and that this market would be greatly stimulated. The attitude of the United States Government in this respect indicated that there was an increasing demand for our product.

The books of this company reveal that our shipments to the United States Government increased from $130,046.77 in 1910 to $819,677.53 in 1913.

We received telegrams direct from Government officials asking our capacity, possible date of shipment, prices, etc., samples of which will be exhibited in connection with this affidavit. Correspondence can be shown indicating the grounds for the belief which the directors of the company all entertained as to the expansion of our business.

While I was connected with the company I acquired stock. My first stock purchases were on the basis of about $75.00 a share. In 1910 or thereabouts I commenced to increase my stock holdings in the company, paying a price in accordance with the advance of the market. I increased my holdings in the stock of the company as much as my finances would permit, because I had faith in its future prospects, as indicated by the reports made to me by salesmen and the inquiries which came to them and to my office.

Prior to 1910 we had never carried a stock of finished goods. About that time we commenced to manufacture for stock and carried a stock of about 15,000 finished small arms, with 25,000 to 30,000 in process of manufacture. This increase in our manufacturing processes and finished stock was fully justified by our expectation of greater business and the actual returns from sales.

On account of the interest that had for many months been manifested in our product throughout Latin America, I spent five months in South America during 1914 and 1915.

In connection with this affidavit a representative of the company will submit copies of letters, telegrams, and Government contracts.

F. C. NICHOLS.

Sworn to and subscribed before me this 23d day of January 1926.

[SEAL] H. D. FAIRWEATHER, *Notary Public.*

Exhibit No. 815

I, Samuel M. Stone, of the city of Hartford, county of Hartford, and State of Connecticut, being duly sworn, depose and say:

I am president of Colt's Patent Fire Arms Manufacturing Company and have been connected with that company since 1905, becoming sales manager in 1907, and was elected president in 1921.

In 1908 I went to Europe as a representative of the Colt's Patent Fire Arms Mfg. Co.

The trip to Europe was largely influenced by inquiries the company was receiving from agents or representatives for various governments, which indicated a keen, active interest in the subject of firearms of all kinds by many of the European nations. It was our desire to ascertain to what extent we would be capable of satisfying demands which apparently were likely to be made upon us .

I visited Russia and conferred with various agents of the Russian Government in response to inquiries which they had made. Negotiations were conducted which I believe led to the placing of important orders with the Colt's Patent Fire Arms Mfg. Co. by the Russian Government. While in St. Petersburg (now Leningrad) it was necessary to leave passport at police headquarters, and I was checked up daily by an officer from headquarters.

I went to Turkey at the invitation of the representatives of that Government, and they purchased small arms through our agents, commencing their purchases about 1909.

We sold the Greek Government 10,000 small arms in 1914, and negotiations were carried on with that Government over a period of five years.

On November 28, 1908, we received a cablegram from Paris, France, asking information, as result of which a representative of this company visited the agents of the French Government.

We maintained an office in London, England, which kept in touch with the needs of the British Empire, also at Hamburg, Germany, until 1910.

From 1908 our sales to foreign governments steadily increased, and I knew that there was then a market which would be greatly expanded in the immediate future. Indications were that Europe at that time was preparing for a war. Great secrecy was imposed upon all military observers, attachés, and foreign embassies. I had personal knowledge of the desire on the part of the Italian Government to build a government armory for the manufacture of small arms in 1908, and everything in Europe pointed to an increasing demand for arms similar to the ones covered by patents owned by this company. I visited Vienna, Austria, in December 1908, and this Government was then seeking automatic pistols and machine guns.

The Colt's Patent Fire Arms Mfg. Co. manufactured tools and gauges to be used in connection with the machinery already installed for the manufacture of our pistols and other patented products. In 1912 we had invested the sum of $51,000.00 in tools, jigs, and gauges to be used in the manufacture of automatic pistols of military model. The facilities then existing for producing small arms and machine guns were, in the opinion of the board of directors and managers of the company, sufficient to enable them to do an annual business of several million dollars. Our opinion in this respect was justified because, without any additional investment, we were able to do a business of $5,308,903.00 in 1915, and $10,034,508.00 in 1916. We increased the number of workmen in the factory in 1915–16. We had purchased and installed the equipment and machinery, had made the tools, jigs, and fixtures in anticipation of this business, and had the machinery, equipment, tools, jigs, and fixtures which were necessary to enable us to carry on this business.

Our office files are replete with letters of inquiry from persons connected with or interested in foreign governments, many of them agents for the Government, asking as to capacity and our willingness to sell our product. The officers and directors of the company felt assured of a large amount of business in firearms manufactured under our patents, and because of this knowledge and their confidence in the future of the company, practically every member of the board of directors materially increased his stock holdings in the company, purchasing stock from time to time at market prices whenever the stock was available and in some cases borrowing money to make the purchases.

Vice President Nichols has referred to the contracts with the United States Government and the growth of this business from 1910–12, inclusive, which is a fair sample of the way in which our general business increased.

The books of account of this company show that raw material and goods in process of manufacture were inventoried at $288,459 in 1909, and at the close of business in 1912, at $438,000. Prior to 1910 we did not carry an inventory of finished small arms. In 1913 our inventory of finished goods was $109,000, which is in addition to the material and goods in process of manufacture.

In connection with this affidavit, a representative of the company will exhibit copies of letters, telegrams, and other data supporting any conclusions or expressions of opinion which have been stated herein.

S. W. Stone.

Sworn to and subscribed before me this 23d day of January 1926.

[SEAL] H. D. Fairweather,
Notary Public.

Exhibit No. 816

Union des Fabricants d'Armes de Liége,
Liege, *la 5th of December, 1924.*

Dear Sirs: The last assembly of the League of Nations has directed the general secretary to communicate to the several governments, members or nonmembers, of the League of Nations, the proposed convention about the control of the international trade in arms, ammunitions, and material of war, elaborated by the Temporary Mixed Commission and to invite them to participate in a conference to be held probably during the months of April or May 1925 to discuss this proposed convention.

Under same cover you will please find a copy of the report of the Temporary Mixed Commission where the proposed convention is reproduced on pages 8 to 16.

The Liege Gunmakers' Association, in agreement with the Masters' Association of Eibar, has decided to hand this communication to all the gun-producing centers, because it has serious reasons to fear that the governments will not consult them in proper time as to this convention, called to replace that which was signed in St. German-on-Laie on the 10th of September 1919.

This latter was also elaborated without taking information as to the opinion of the interested industrials.

In making the present communication, dear sirs, we beg leave to ask you to consider the alterations your corporation might think fit to be made in the proposed convention and to propose to you to hold in Brussels in the second fortnight of January next a congress of gunmakers in order to consider the proposals of the different gun-producing centers, to elaborate a common program and adopt a line of conduct to move the several governments to amend the proposed convention in such a way that it may not hinder the legal and peaceful trade of sporting arms and such for personal defense.

The Liege Gunmakers' Association and the Masters' Association of Eibar have already expressed various proposals we think proper from this very moment to let you know:

1. To exclude, if possible, revolvers and pistols of every kind, excepting those which may be fired by shouldering, from the category of war arms; small arms that may be fired by a single hand ought rather to be considered as serving for personal defense of those which use them, may they be soldiers or civilians.
2. If the foregoing proposal could not be admitted, to raise the limit of caliber for pistols and revolvers from 6.50 mm. as proposed to 8.2 mm. (or 9 mm).
3. To exclude from the category of military arms, every pistol or revolver firing a bullet of solid lead and to consider merely as war arms the pistols and revolvers showing together the three following conditions:
    Having a length of barrel exceeding 10 cm.
    A caliber over 8.2 mm.
    Fitted for a metal covered bullet.
4. To classify in the third category (arms having no military value) the single and double barrelled express rifles with drop-down barrel.

If you would kindly adhere to our proposal, dear sirs, and if your corporation had other proposals to make to the Congress, we should feel much obliged to you to let us know as soon as possible in order that on our side we may acquaint with it the different adhering parties and facilitate in such way the work of the Congress.

The present letter is directed to the following centers: English, French, Italian, American, Czechoslovakian, German, Austrian, and Hungarian.

Yours very truly,

THE COMMITTEE OF THE LIEGE GUNMAKERS' ASSOCIATION.

——— ———,
The President.

——— ———,
The Secretary.

(Signed) E. NEUMANN,
5 Rue St. Remy.

EXHIBIT No. 817

UNION DES FABRICANTS D'ARMES DE LIÉGE,
Liege, 1a 3rd January 1925.

GENTLEMEN: We beg to acquaint you with the fact that the scheme of conference set forth by our letter circular of the 5th of December last, has, till now, received full approval from the following gunmaking centres:

Birmingham: Birmingham Gun Trade Association and Gun Barrel Proofhouse.
Brescia: Banco di Prova per Armi da fuoco portatili ad Associazione dei Fabbricanti d'armi.
Ribar: Asociacion patronal Eibar.
Liege: Union des fabricants d'armes.
London: The Gunmaker's Association.
St. Etienne: Chambre de Commerce at Chambre Syndicale des Fabricants d'armas do St. Etienne.

In addition to this, we have been acquainted by the Chamber of Commerce of Paris that our communication has been conveyed for examination to the Board of the Paris Proofhouse and the "Verband der Oesterr, Buechsenmacher und Waffenhaendler" (Association of Austrian Gunmakers and Gundealers) has given in principle its adhesion to the project.

The proposals of amendment to the project of convention worked out by the "Mixed Temporary Committee", expressed in our foregoing letter circular, have gathered the approval of all the above-stated gun-making centres; nevertheless, the Austrian association suggests to modify the proposed point IV and to read instead of "The single and double barreled *express* rifles with drop-down barrel", "the single and more barrelled rifles with drop-down barrel."

"It may be easily conceived", says the said association, "that a rifled gun, without any repeating mechanism, may not be considered to be a war rifle."

Then, to comply with the wish expressed by our French colleagues, it is most probable that the projected meeting will be held in Paris and not in Brussels.

The date of the meeting will be fixed at a later period as soon as we are in possession of all the replies.

We are, gentlemen,
Yours very faithfully,

E. NEUMANN, *the Chairman.*

EXHIBIT No. 818

(Pencil note: "Extra copies.")

JANUARY 31st, 1925.

Mr. F. S. BRIGHT,
Colorado Building, Washington, D. C.

DEAR MR. BRIGHT: I am enclosing with this letter received from Union Des Fabricants d'Armes, Liege, Belgium, in reference to the proposed convention in regard to the control of the international trade in arms and ammunition, which it is expected will be held in April or May.

In the December 27th issue of the Literary Digest we note an article to the effect that Secretary Hughes accepted the invitation of the League of Nations to take part officially in the Conference.

It is my recollection that when the copy of the convention of Saint Germain came to our attention we looked into it carefully, communicated with you, and you expressed the opinion that as the United States probably would not join the League we would not be held by the terms of this convention. Unfortunately, I am not able to locate all the papers in connection with this matter.

The report of the Temporary Mixed Commission for the Reduction of Armaments which is referred to in the letter of the Union Des Fabricants d'Armes of December 5th is a 31-page printed document, marked A116.1924 IX, League of Nations, dated Geneva, July 30th, 1924. I assume that you will have no difficulty in securing a copy in Washington. If you do, I will send this one to you.

It appears to me that our course of action should be to learn who will represent this Government at Geneva and then fully post such representative in regard to our goods, their uses, and the class of trade that buys them so that arms and ammunition used for sporting purposes should not be shut out as military arms.

If you agree with this, will you kindly endeavor to find out who is going to represent the United States, and suggest the best method of approach. Fortunately, both Congressman Tilson and Senator Bingham are military men, and as I know them both I can take the matter up with them as soon as we hear from you. Doubtless we can also get some of the other manufacturers to take it up with their representatives.

As I have already lost some time endeavoring to find the previous records on this matter I will very much appreciate reply as promptly as possible.

Yours very truly,

Winchester Repeating Arms Company,
H. F. Beebe, *Mgr. Foreign Department.*

HFB: ERJ-64.
Encl:

("Exhibit No. 819" appears in text on p. 2123)

("Exhibit No. 820" appears in text on p. 2123)

("Exhibit No. 821" appears in text on p. 2127)

Exhibit No. 822

February 9th, 1925.

Union Des Fabricants d'Armes De Liege,
5 Rue St. Remy, Liege, Belgium.

(Attention Mr. E. Neumann, chairman.)

Gentlemen: Your letter of December 5th reached us just as the writer was taken down with an attack of the grippe, and through oversight was not acknowledged, for which we offer our sincere apologies.

We have since received yours of December 15th and January 3rd, the former having apparently been delayed in transit.

We have no association of arms and ammunition manufacturers in this country, but have, as requested, sent copies of your letters to all of those who in our opinion would be affected by this proposed convention. We have been studying this matter carefully, and agree with you that it would place obstacles in the way of trade in these lines for protection, hunting, sporting, and target practice.

We have noted carefully the suggestions of the different associations as to proposals of amendments that might be worked out to modify the proposed agreement. Even if these were accepted, many of our arms used entirely for hunting and sporting purposes would, we fear, under their classifications, be classed as military arms or suitable for military purposes. This is a vital point with us, and we feel that a different method of determining these classifications should be used so that arms of this character will be placed in the categories to which, in our opinion, they belong.

As it will be impossible to send a delegate to the convention, we are taking the matter up with our Government here with the idea of placing in the hands of the delegate that may be appointed by the United States to the Geneva convenion full information as to our views on the subject. We, therefore, cabled you as follows:

"Impossible send delegate; have notified other manufacturers, if possible, send twelve copies report mixed commission; will submit views to U. S. delegate Geneva. Writing."

Assuring you of our appreciation of your courtesy in bringing this matter to our attention and expressing the hope that a practical way can be found of carrying out the idea of preventing unlawful traffic without interfering with legitimate business, we remain,

Yours very truly,

WINCHESTER REPEATING ARMS COMPANY,
HFB: ERJ-19. H. F. BEEBE, *Mgr. Foreign Department.*

EXHIBIT NO. 823

[Written on regular Winchester letterhead]

(In pencil:) Sent to same companies as letter Feby. 10.

FEBRUARY 20TH, 1925.

DRAFT CONVENTION FOR THE CONTROL OF THE INTERNATIONAL TRADE IN ARMS, MUNITIONS, AND IMPLEMENTS OF WAR

GENTLEMEN:

Referring to my letter of February 10th, fearing that the extra copies of the Report of the Temporary Mixed Commission may not arrive for some time, if at all, I am enclosing with this mimeograph copy of that portion of the report that appears to vitally concern American manufacturers.

As you are doubtless aware the Brussels Act referred to on the first page was enacted to prevent the slave trade in Africa and was no doubt justified by the existing conditions, and in any event probably did not affect the American manufacturers.

We take the liberty of submitting the following impressions and would be glad to know how nearly they coincide with your views.

It would seem to us as if the control by sovereign states could be left to each importing state as at present, and in the case of such countries as are under the jurisdiction or sovereignty of another state the control could be exercised by the latter. This would, of course, leave the situation practically as it is today.

As I see it, to bring this condition about would mean urging our Government to decline to enter into any agreement to control the international trade of private manufacturers.

I get the impression that in spite of the fact that the United States was a leader in urging the reduction of armaments that there is a feeling on the part of other nations, which has been given more or less publicity, that the United States is quite willing that arms and ammunition should be furnished to other countries for war purposes, thereby encouraging strife, while professing the desire to do everything to procure peace. Under such conditoins it might readily appear to our Government to be proper for them to enter into some sort of an agreement as to the control of traffic in arms and ammunition. If our Government does this, I feel sure that our representative will be willing to give sympathetic consideration to such amendments as manufacturers in this country may suggest in the direction of removing the handicaps and prohibitions on the sale of arms and ammunition used primarily for hunting, sport, target practice, and protection, and at the same time make less drastic the provisions applying to war munitions.

It seems to us that the different categories are not sufficiently explicit when applied to the class of arms and ammunition manufactured in this country, and that purely sporting types might be readily considered to be included in the implements of war, if left to somebody also to decide later.

There is a further possibility, it seems to us, that if this convention is to extend over any period of years, some items considered to have military value at the present time might easily be obsolete for such use in future.

We are going to work out some suggested modifications to submit to the delegate when appointed in the hope that if the United States goes into this it may be on the basis of amendments to provide against unnecessary restrictions.

The above observations, as previously stated, are submitted in a more or less personal way for what they are worth.

Yours very truly,

WINCHESTER REPEATING ARMS COMPANY,
HFB: ERJ-64 H. F. BEEBE, *Mgr. Foreign Department.*

Exhibit No. 824

[File MS-178]

Draft of Convention for the Control of the International Trade in Arms, Munitions, and Implements of War

DRAFT PROPOSED BY THE INTERNATIONAL CONGRESS OF GUN MAKERS HELD AT PARIS FEBRUARY 16 AND 17, 1925. (ACCORDING TO THE MOTION UNANIMOUSLY ADOPTED)

Article 1

The present convention will apply to the following arms, munitions, and materials of war:

CATEGORY I

1. All arms and munitions assembled or component parts exclusively designed for land, sea, or aerial warfare, whatever their modes of warfare, all arms and their ammuntion which enter or shall hereafter enter into the equipment of the armed forces of the different States, including:

Automatic and self-loading revolvers and pistols which are fired from the shoulder, or are provided with a graduated rear sight, and the perfected models of the same.

Rifles, muskets, and carbines.

Machine guns, appliances for firing machine guns through the propeller of an aeroplane. Machine-gun mountings, apparatus for aiming or pointing machine guns in aeroplanes.

Infantry apparatus for the discharge of projectiles.

Flame throwers, long and short guns, howitzers and mortars of all kinds, as well as their carriages, mountings, recuperators, accessories for mounting, and pointing and sighting apparatus.

Apparatus for the discharge of all kinds of projectiles, bombs, torpedoes, depth charges, etc.

Grenades, bombs, land mines, submarine mines, both fixed and floating, automotive torpedoes, and depth charges.

Projectiles, munitions, and devices used by the arms and apparatus above.

Bayonets, swords, and lances.

2. Materials of war, as above, and parts which may be used exclusively in the construction of said materials.

Ships of all sorts built exclusively for war purposes, including submarines and submersibles.

Dirigibles, aeroplanes, and hydroplanes built exclusively for war purposes.

Tanks.

Armored cars.

CATEGORY II

1. Arms and munitions assembled or component parts capable of use, both for war and for other purposes. All arms and their munitions which, after having been used in the service of different States, have ceased to be a part of the armament of said States, but which remain susceptible of military use.

2. Firearms designed or adapted to nonmilitary uses, but which can use the ammunition of the arms in Category I.

3. All other rifled firearms to be fired from the shoulder whose caliber is equal to or greater than 6 mm, and which do not figure in Category I, with the exception of rifled arms with barrels that break at the breech for loading and single-barreled arms nonautomatic or without a magazine.

4. Munitions for the arms enumerated above.

5. Powders and explosives.

CATEGORY III

Arms and munitions having no military value.

All arms and munitions not defined in Categories I and II, such as—

Shoulder firearms of a caliber less than 6 mm.

Rifled firearms which break at the breech for loading.

Rifled firearms of a caliber greater than 6 mm, but nonautomatic or without magazine.

Revolvers and automatic pistols not specified in Category I.

Smooth-bore guns.
Rifles with several barrels, of which one or more is rifled.
Rifled subcaliber tubes of all calibers for smooth-bore guns.
Single-shot pistols.
Firearms using rim-fire cartridges.
Muzzle-loading firearms.
Life-saving guns.
Guns for whale fishing.
Ducking cannon.
Guns for signaling and saluting.
Humane cattle-killing guns.
Ammunition for the arms enumerated above.

* * * * * * *

ARTICLE 5

Without prejudice to any obligations to which they may have subscribed under international conventions dealing with transit, the high contracting parties, when there is a presumption of fraud in the conditions of a shipment of arms, munitions, or materials of war, undertake to make an inquiry; and if the fraud has taken place, prohibit the transit in question.

ARTICLE 6

Without prejudice to the provisions of article 7 hereafter, arms and munitions included in category II can at the wish of the government of the exporting country, be exported without license. The high contracting parties undertake to determine from the size, the destination, and other circumstances of each shipment, if the arms and munitions are intended for use in warfare. If such is the case, the high contracting parties undertake to place the said shipment under the control of articles 2 to 5.

The commerce of arms in category III remain entirely free under the regulation of national laws and rulings.

ARTICLE 26

Entirely suppressed.

ARTICLE 32

The present convention will not come into force until it has been ratified by the following powers: Germany, Austria, Belgium, Spain, the United States of America, France, Great Britain, Italy, Japan, Russia, Sweden, Switzerland, Czechoslovakia, and all the other countries manufacturing and exporting arms and munitions.

The date of its coming into force shall be the ---- day after the receipt by the French Government of the last ratification. Thereafter the present convention will take effect in the case of each of the parties ------ days after the reception of its ratification or accession.

* * * * * * *

DRAFT OF CONVENTION RELATIVE TO THE CONTROL OF THE PRIVATE MANUFACTURE OF ARMS, MUNITIONS, AND WAR MATERIALS

The Congress of Gun Makers adopted the resolution that the private manufacture of arms, muntions, and materials of war should remain free under the reserve of the National Regulations and the Peace Treaties actually in effect which terminated the World War.

EXHIBIT No. 825

LEAGUE OF NATIONS

REPORT OF THE TEMPORARY MIXED COMMISSION FOR THE REDUCTION OF ARMAMENTS

GENEVA, *July 30th, 1924.*

ANNEX IV. DRAFT CONVENTION FOR THE CONTROL OF THE INTERNATIONAL TRADE IN ARMS, MUNITIONS, AND IMPLEMENTS OF WAR

PREAMBLE

Whereas the Convention of Saint Germain signed by the high contracting parties therein mentioned has not entered into full force and effect;

Whereas it is necessary to exercise a general supervision over the international trade in arms, munitions, and implements of war, with the object of securing the fullest possible publicity in regard to such trade;

Whereas the existing treaties and conventions, and particularly the Brussels act of July 2nd, 1890, regulating the traffic in arms and munitions in certain regions, no longer meet present conditions;

Whereas a special supervision of the maritime zone adjacent to certain countries is necessary to ensure the efficacy of the measures adopted by the various governments both as regards the import of arms, ammunition, and implements of war into these countries and their export from their own territory;

Have appointed:

CHAPTER I. DEFINITION OF THE ARMS, MUNITIONS, AND IMPLEMENTS OF WAR, THE INTERNATIONAL TRADE OF WHICH IS TO BE CONTROLLED

ARTICLE I

This convention applies to the following arms, munitions, and implements of war:

CATEGORY I

1. ARMS AND MUNITIONS, ASSEMBLED OF COMPONENT PARTS, EXCLUSIVELY DESIGNED FOR LAND, SEA, OR AERIAL WARFARE, WHATEVER THEIR MODE OF EMPLOYMENT

(*a*) All arms and ammunition which are or shall be comprised in the equipment of the armed forces of the different States, including:

Pistols and revolvers, automatic or self-loading, and developments of the same, designed for single-handed use or fired from the shoulder, of a calibre greater than 6.5 mm. and length of barrel more than 10 cm.;

Rifles, muskets, carbines;

Machine guns, interrupter gears, mountings for machine guns;

Aerial gun sights;

Infantry apparatus for the discharge of projectiles;

Flame throwers;

Cannon, long or short, bomb throwers and mortars of all kinds and their carriages, mountings, recuperators, accessories for mounting and sighting apparatus;

Apparatus for the discharge of all kinds of projectiles, bombs, torpedoes, depth charges, etc.;

Grenades, bombs, land mines, submarine mines fixed or floating, torpedoes, depth charges;

Projectiles of all kinds;

Ammunition and appliances for the above arms and apparatus;

Bayonets, swords, and lances;

(*b*).—All arms and ammunition which, after having been employed in the services of the different States, are no longer part of their equipment but remain capable of being utilized for military purposes to the exclusion of any other utilisation.

2. IMPLEMENTS OF WAR HEREAFTER ENUMERATED AND COMPONENT PARTS WHICH ARE CAPABLE OF BEING UTILISED ONLY IN THE MANUFACTURE OF THE SAID MATERIAL

Ships of all kinds designed exclusively for war, including submarines and submersibles.

Airships, aeroplanes, and seaplanes designed exclusively for war.

Tanks.

Armoured cars.

Category II

ARMS AND MUNITIONS, ASSEMBLED OR COMPONENT PARTS, CAPABLE OF USE BOTH FOR MILITARY AND OTHER PURPOSES

1. Firearms, designed or adapted for nonmilitary purposes, that will fire cartridges that can be fired from firearms in category I.
2. All other rifled firearms, firing from the shoulder, of a calibre of 6 mm or above, not included in category I.
3. Ammunition for the arms enumerated above.
4. Gunpowder and explosives.

Category III

ARMS AND MUNITIONS HAVING NO MILITARY VALUE

All the arms and munitions other than those defined in categories I and II, such as:

Rifled weapons of a calibre of less than 6 mm designed for firing from the shoulder.

Revolvers and automatic pistols of a calibre of 6.5 mm or less and length of barrel of 10 cm or less.

Smooth-bore shotguns.

Double-barrelled shotguns of which one barrel is rifled, the other smooth bore.

Single-shot pistols.

Firearms firing rimfire ammunition.

Muzzle-loading firearms.

Life-saving rockets.

Guns for whaling or other fisheries.

Signal and saluting guns.

Humane cattle killers of all sorts.

Ammunition for the above.

Chapter II. Export and Transit of Arms, Munitions, and Implements of War

ARTICLE 2

The High Contracting Parties undertake not to export themselves, and to prohibit the export of arms, munitions, and other implements of war enumerated in category I, except on the conditions hereinafter mentioned.

ARTICLE 3

Notwithstanding this prohibition, the High Contracting Parties may grant in respect of arms, munitions, and implements of war whose use is not prohibited by international law, licenses for the export of arms, munitions, and implements of war enumerated in category I, in the following conditions:

1. Licenses are not to be granted except for a direct supply to a government recognised as such by the government of the exporting country.
2. The government acquiring the consignment must act through a duly accredited representative.
3. Such representative must produce a written authority from the government he represents for the acquisition of each consignment, which authority must state that the consignment is required for delivery to that government for its own use.
4. The form in which this license shall be given shall, so far as practicable, be that given as an appendix to the present convention.

Each license must contain a description sufficient for the identification of the arms, munitions, and implements of war to which it relates and the names of the exporter and the acquiring government, ports of embarkation and disembarkation, means of transport, intended route, and destination.

5. A separate license shall be required for each separate consignment which crosses the frontier of the exporting country, whether by land, water, or air, and shall accompany each separate consignment.
6. A return of the licenses granted shall be sent quarterly to the Central International Office referred to article 8 of the present convention by the issuing governments; importing governments, when High Contracting Parties, shall also for-

ward quarterly to the Central International Office a return of the same licences, enclosing particulars of the heading under which the imported goods will appear in their imports statistics.

ARTICLE 4

Further, licenses for the export to private individuals of component parts covered by category I may be granted on the following conditions:

The said component parts must be exported direct to a recognised manufacturer of war material, duly authorised by his own government, on a declaration from him to the effect that the said component parts are required by him.

The government which grants the licence and the government of the importer's country shall take all adequate precautions to ensure that the said component parts are sent direct to their destination.

The licenses granted in the terms of the present article shall, so far as practicable, be drafted according to the form annexed to the present convention, and shall conform to the provisions of the present convention, and particularly to those of article 8.

ARTICLE 5

Without prejudice to any obligations to which they may have subscribed under international conventions dealing with transit, the High Contracting Parties, when they have reason to believe that any consignment of arms, munitions, or implements of war in transit through their territory does not conform to the provisions of the present convention, undertake to investigate the circumstances and, if necessary, to prohibit the transit.

ARTICLE 6

Without prejudice to the provisions of article 7, arms and munitions in categories II and III may, if the exporter's country so desires, be exported without licence. Provided, nevertheless, that in the case of arms and munitions of category II the High Contracting Parties hereby undertake to determine from the size, destination, and other circumstances of each consignment whether these arms and munitions are intended for war purposes. If such is the case, the High Contracting Parties undertake that the shipments shall become subject to articles 2 to 5.

ARTICLE 7

The High Contracting Parties further undertake to prohibit the export of arms, munitions, and implements of war enumerated in article 1, to the maritime or territorial zones specified in article 9.

Nevertheless, the High Contracting Parties may grant export licenses notwithstanding this prohibition, provided that they conform to the provisions of articles 3 to 5. The competent authorities must satisfy themselves, before issuing licences, that the arms, munitions, or implements of war are not intended for export to any destination or for disposal in any way contrary to the provisions of this convention.

ARTICLE 8

A central international office shall be established by the Council of the League of Nations for the purpose of collecting, preserving, and publishing documents of all kinds exchanged by the High Contracting Parties with regard to the trade in and the distribution of arms, munitions, and implements of war, as well as the text of all laws, orders, and regulations made for the carrying out of the present convention.

Each of the High Contracting Parties shall publish an annual return of the export licenses which each may have granted in respect of arms, munitions, and implements of war in pursuance of the present convention, mentioning the quantities and destinations of the arms, munitions, and implements of war to which the export licences refer. A copy of this return shall be sent to the central international office.

The High Contracting Parties further undertake to forward to the central international office all information which they will be in a position to provide relating to consignments under contracts entered into before the coming into force of the present convention.

CHAPTER III. IMPORT OF ARMS, MUNITIONS, AND IMPLEMENTS OF WAR. PROHIBITED ZONES

ARTICLE 9

The High Contracting Parties undertake, each as far as the territory under its jurisdiction is concerned, to prohibit the importation of arms, munitions, and implements of war into the following territorial zones, and also to prevent their exportation to, importation, and transportation in the territorial zones as well as in the maritime zone defined below.

* * * * * * *

Special licenses for the import of arms, munitions, and implements of war into the zones defined above may be issued. In the African zone they shall be subject to the regulations specified in articles 10 and 11 or to any local regulations of a stricter nature which may be in force.

In the other zones specified in the present article, these licenses shall be subject to similar regulations put into effect by the Governments exercising authority there.

CHAPTER IV—SUPERVISION ON LAND

ARTICLE 10

Arms, munitions, and implements of war exported under licence into the prohibited zones shall be admitted only at ports, or other places of entry, designated for this purpose by the authorities of the state, colony, protectorate, or territory under mandate concerned.

Such arms, munitions, and implements of war must be deposited by the importer at his own risk and expense in a public warehouse under the exclusive custody and permanent control of the Authority and of its agents, of whom one at least must be a civil official or a military or naval officer. No arms, munitions, or implements of war shall be deposited or withdrawn without the previous authorization of the administration of the state, colony, protectorate or territory under mandate, unless the arms, munitions, and implements of war be deposited or withdrawn are intended for the forces of the government or the defence of the national territory.

The withdrawal of arms, munitions, or implements of war deposited in those warehouses shall be authorised only in the following cases:

1. For despatch to places designated by the government where the inhabitants are allowed to possess arms, under the control and responsibility of the local authorities, for the purpose of defence against robbers or rebels.
2. For despatch to places designated by the government as warehouses and placed under the supervision and responsibility of the local authorities.
3. For individuals who can show that they require them for their legitimate personal use.

ARTICLE 11

In the prohibited zones specified in article 9, trade in arms, munitions, and implements of war shall be placed under the control of officials of the government and shall be subject to the following regulations:

1. No person may keep a warehouse for arms, munitions, or implements of war without a license.
2. Any person licensed to keep a warehouse for arms, munitions, or implements of war must reserve for that special purpose enclosed premises, having only one entry, provided with two locks, one of which can be opened only by the officers of the government.

The person in charge of a warehouse shall be responsible for all arms, munitions, or implements of war deposited therein and must account for them on demand. For this purpose all deposits or withdrawals shall be entered in a special register, numbered and initialled. Each entry shall be supported by references to the official documents authorising such deposits or withdrawals.

3. No transport of arms, munitions, or implements of war shall take place without a special license.
4. No withdrawal from a private warehouse shall take place except under licence issued by the local authority on an application stating the purpose for which the arms or ammunition are required, and supported by a licence to carry

arms or by a special permit for the purchase of ammunition. Every arm shall be registered and stamped; the authority in charge of the control shall enter on the license to carry arms the mark stamped on the weapon.

5. No one shall without authority transfer to another person either by gift or for any consideration any weapon or ammunition which he is licensed to possess.

ARTICLE 12

In the prohibited zones specified in article 9, the manufacture and assembling of arms, munitions, or implements of war shall be prohibited, except at arsenals established by the local government or, in the case of countries placed under tutelage, at arsenals established by the local government, under the control of the mandatory power, for the defence of its territory or for the maintenance of public order.

No arms shall be repaired except at arsenals or establishments licensed by the local government for this purpose. No such licence shall be granted without guarantees for the observance of the rules of the present Convention.

ARTICLE 13

Within the prohibited zones specified in article 9, a state which is compelled to utilise the territory of a contiguous state for the importation of arms, munitions, or implements of war, whether complete or in parts, or of material or of articles intended for armament, shall be authorised on request to have them transported across the territory of such state.

It shall, however, when making any such request, furnish guarantees that the said articles are required for the needs of its own government, and will at no time be sold, transferred, or delivered for private use or used in any way contrary to the interests of the High Contracting Parties.

Any violation of these conditions shall be formally established in the following manner:

(*a*) If the importing state is a sovereign independent power, the proof of the violation shall be advanced by one or more of the representatives accredited to it of contiguous states among the High Contracting Parties. After the representatives of the other contiguous states have, if necessary, been informed, a joint enquiry into the facts by all these representatives will be opened, and if need be, the importing state will be called upon to furnish explanations. If the gravity of the case should so require, and if the explanations of the importing state are considered unsatisfactory, the representatives will jointly notify the importing state that all transit licenses in its favour are suspended and that all future requests will be refused until it shall have furnished new and satisfactory guarantees.

The forms and conditions of the guarantees provided by the present article shall be agreed upon previously by the representatives of the contiguous states among the High Contracting Parties. These representatives shall communicate to each other, as and when issued, the transit licences granted by the competent authorities.

(*b*) If the importing state has been placed under the mandatory system established by the League of Nations, the proof of the violation shall be furnished by one of the High Contracting Parties or on its own initiative by the mandatory power. The latter shall then notify or demand, as the case may be, the suspension and future refusal of all transit licences.

In cases where a violation has been duly proved, no further transit licence shall be granted to the offending state without the previous consent of the Council of the League of Nations.

If any proceedings on the part of the importing state, or its disturbed condition should threaten the public order of one of the contiguous state signatories of the present convention, the importation in transit of arms, munitions, or implements of war, material and articles intended for armament shall be refused to the importing state by all the contiguous states until order has been restored.

CHAPTER V. MARITIME SUPERVISION

ARTICLE 14

Subject to any contrary provisions in existing special agreements, or in future agreements, provided that in all cases such agreements otherwise comply with the provisions of the present convention, the sovereign state or mandatory power shall carry out the supervision and police measures within territorial waters in the prohibited zones specified in article 9.

ARTICLE 15

Within the prohibited zones specified in article 9, no native vessel of less than 500 tons (net tonnage) shall be allowed to ship, discharge, or tranship arms, munitions, or implements of war.

A ship shall be deemed to be native if she is either owned by a native, or fitted out or commanded by a native, or if more than half of the crew are natives of the countries included in the prohibited zones specified in article 9.

This provision does not apply to lighters or barges, nor to vessels which are engaged exclusively in the coasting trade between different ports of the same state, colony, protectorate, or territory under mandate, where warehouses are situated.

All cargoes of arms, munitions, or implements of war shipped on the vessels specified in the preceding paragraph must obtain a special licence from the territorial authority, and all arms, munitions, and implements of war so shipped shall be subject to the provisions of the present convention.

This license shall contain all details necessary to establish the nature and quantity of the items of the shipment, the vessel on which the shipment is to be loaded, the name of the ultimate consignee, and the ports of loading and discharge. It shall also be specified thereon that the licence has been issued in conformity with the regulations of the present convention.

The provisions of this article do not apply:

(*a*) To arms, munitions, and implements of war conveyed on behalf of a government, either under that government's authorization or accompanied by a duly qualified official.

(*b*) To arms and munitions in the possession of persons provided with a license to carry arms; provided such arms are for the personal use of the bearer and are accurately described on his license.

ARTICLE 16

To prevent all illicit conveyance of arms, munitions, and implements of war within the prohibited zones defined in article 9, native vessels of less than 500 tons (net tonnage):

> (*a*) if not exclusively engaged in the coasting trade between different ports of the same state, colony, protectorate, or territory under mandate; or, (*b*) if not engaged in carrying on behalf of a government as permitted by article 15, paragraph (*a*), and proceeding to or from any point within the said zones,

must carry a manifest of their cargo or similar document specifying the quantities and nature of the goods on board, their origin, and destination.

The provisions as to the above-mentioned document shall not apply to vessels only partially decked having a maximum crew of ten men and exclusively employed in fishing within territorial waters.

ARTICLE 17

Authority to fly the flag of one of the high contracting parties, within the prohibited zones defined in article 9, shall not be granted to native vessels of under 500 tons (net tonnage) as defined in article 15 unless they satisfy all the three following conditions:

(1) The owners must be nationals of the power whose flag they claim to fly or a company duly registered under the laws of that power;

(2) They must furnish proof that they possess real estate in the district of the authority to which their application is addressed or must supply a solvent security as a guarantee for any fines to which they may become liable;

(3) Such owners, as well as the captain of the vessel, must furnish proof that they enjoy a good reputation, and especially that they have never been convicted of illicit conveyance of the articles referred to in the present convention.

The authorization must be renewed every year. It shall contain the indications necessary to identify the vessel, the name, tonnage, type of rigging, principal dimensions, registered number, and signal letters. It shall bear the date on which it was granted and the status of the official who granted it.

The initial letters of the port of registration of the native vessel followed by the vessel's registration number in the serial port numbers must be incised and painted in white on black ground on both quarters of each vessel.

The same marks may be painted in black on the sails.

The net tonnage of the native vessel shall also, if practicable, be incised and painted in a conspicuous position inside the hull.

ARTICLE 18

The high contracting parties agree to apply the following rules in the maritime zone specified in article 9.

(1) When a warship belonging to one of the high contracting parties encounters outside territorial waters, a supposed native vessel of less than 500 tons burden (net tonnage)—

(*a*) Flying the flag of one of the high contracting parties;
(*b*) Flying the flag of a recognised nation;
(*c*) Flying no flag;

and the commander of the warship has good reason to believe that the supposed native vessel—

(*d*) is flying a flag without being entitled to do so;
(*e*) is not lawfully entitled to fly the flag of any recognized nation;
(*f*) is illicitly conveying arms, munitions, or implements of war;

he may proceed, subject to the conditions indicated in the paragraphs below, to verify the nationality of the vessel by examining the document authorizing the flying of the flag, if this document exist, and also the manifest referred to in article 16.

Any vessel which presents the appearance of a native build or rig may be presumed to be a native vessel.

(2) With this object, a boat commanded by a commissioned officer in uniform may be sent to visit the suspected vessel, after she has been hailed to give notice of such intention. The officer sent on board the vessel shall act with all possible consideration and moderation. Before leaving the vessel the officer shall draw up a procès-verbal in the form and language in use in his own country. This procès-verbal shall state the facts of the case and shall be dated and signed by the officer.

Should there be on board the warship no commissioned officer other than the commanding officer, the above-prescribed operations may be carried out by the warrant, petty, or noncommissioned officer at the discretion of the commanding officer.

The captain or master of the vessel visited, as well as the witnesses, shall be invited to sign the procès-verbal, and shall have the right to add to it any explanations which they may consider expedient.

(3) In the cases referred to in paragraphs I (*a*) and I (*b*) of this article, unless the right to fly the flag can be established, the vessel shall be conducted to the nearest port in the zone where there is a competent authority of the power whose flag has been flown and shall be handed over to such authority.

Should the nearest competent authority representing the power whose flag the vessel has flown be at some port at such a distance from the point of arrest that the warship would have to leave her station or patrol to escort the detained vessel to that port, the foregoing regulation need not be carried out. In such a case, the vessel may be taken to the nearest port where there is a competent authority of one of the high contracting parties of nationality other than that of the warship, and handed over to such authority, and steps shall at once be taken to notify the detention to the competent authority representing the power concerned.

No proceedings shall be taken against the vessel or her crew until the arrival of the representative of the power whose flag the vessel was flying or without authority from him.

The suspected vessel may also be handed over to a warship of the nation whose flag she had flown, if the latter consents to take charge of her.

(4) The procedure laid down in paragraph 3 may be followed if, after the verification of the flag and in spite of the manifest being in order, the commander of the warship continues to suspect the native vessel of engaging in the illicit conveyance of arms, munitions, or implements of war.

(5) In the cases referred to in paragraph 1 (*c*) of this article, if it is ascertained, as a result of the visit made on board the native vessel, that whereas it flew no flag, it was also not entitled to fly the flag of a recognised State, the native vessel shall, unless the innocent nature of her cargo can be established to the satisfaction of the commanding officer of the warship, be conducted to the nearest point in the zone where there is a competent authority of the power to which the warship which effected the capture belonged, and shall be handed over to such authority.

If it should be established that the vessel was engaged in the illicit conveyance of arms, munitions, and implements of war, the vessel and all cargo carried in addition to the arms, munitions, and implements of war shall be seized by such authority and disposed of according to its own laws—the destruction of the illicit cargo of arms, munitions, and implements of war may be ordered according to the same laws.

ARTICLE 19

The authority before whom the suspected vessel has been brought shall institute a full enquiry in accordance with the laws of his country in the presence of an officer of the detaining warship.

If, however, owing to the duties upon which the warship is engaged, it is not practicable for an officer of this warship to attend this enquiry, an affidavit sworn by the commanding officer of the warship shall be accepted by the authority holding the enquiry in place of the verbal evidence of an officer of the warship.

If it is proved at this enquiry that the flag has been illegally flown but that the vessel is entitled to fly the flag of a recognised State she shall, if that State is one of the High Contracting Parties, be handed over to the nearest authority of that State and in all other cases shall be disposed of by agreement between the State responsible for her detention and the State whose flag she is entitled to fly, and, pending such agreement, shall remain in the custody of the authorities of the nationality of the detaining warship.

If it should be established that the use of the flag by the detained vessel was correct but that the vessel was engaged in the illicit conveyance of arms, munitions, and implements of war, those responsible shall be brought before the courts of the State under whose flag the vessel sailed. The vessel herself and her cargo shall remain in charge of the authority directing the enquiry. The illicit cargo of arms, munitions, or implements of war may be destroyed in accordance with the laws and regulations drawn up for the purpose.

ARTICLE 20

The High Contracting Parties agree to communicate to the Central International Office specimen forms of the documents mentioned in articles 15, 16, 17.

ARTICLE 21

Any illicit conveyance or attempted conveyance legally established against the captain or owner of a vessel authorised to fly the flag of one of the signatory powers, or holding the licence provided for in article 15, shall entail the immediate withdrawal of the said authorisation or licence.

The High Contracting Parties will take the necessary measures to ensure that their territorial authorities or their consuls shall send to the central international office certified copies of all authorisations granted under this convention to fly their flag as soon as such authorisation shall have been granted, as well as notice of withdrawal of any such authorisation. They also undertake to communicate to the said office copies of the licences provided for under article 15.

ARTICLE 22

The commanding officer of a warship who may have detained a vessel flying a foreign flag shall in all cases make a report thereon to his government, stating the grounds on which he acted.

An extract from this report, together with a copy of the procès-verbal, drawn up by the officer, warrant officer, petty or noncommissioned officer sent on board the vessel detained shall be sent as soon as possible to the central international office and at the same time to the government whose flag the detained vessel was flying.

ARTICLE 23

If the authority entrusted with the enquiry decides that the detention and diversion of the vessel or the measures imposed upon her were irregular, he shall fix the amount of the compensation due. If the capturing officer, or the authorities to whom he is subject, do not accept the decision or contest the amount of the compensation awarded, the dispute shall be submitted to a court of arbitration consisting of one arbitrator appointed by the government whose flag the vessel was flying, one appointed by the government of the capturing officer, and an umpire chosen by the two arbitrators thus appointed. The two arbitrators shall be chosen, as far as possible, from among the diplomatic, consular, or judicial officers of the High Contracting Parties. These appointments must be made with the least possible delay, and natives in the pay of the High Contracting Parties shall in no case be appointed. Any compensation awarded shall be paid to the person concerned within six months at most from the date of the award.

The decision shall be communicated to the central international office.

CHAPTER VI. GENERAL PROVISIONS

ARTICLE 24

The High Contracting Parties who exercise authority over territories within the prohibited zones specified in article 9 agree to take, so far as each may be concerned, the measures required for the enforcement of the present convention, and in particular for the prosecution and repression of offences against the provisions contained therein and to appoint the necessary territorial and consular officers or special representatives competent for this purpose.

They shall communicate these measures to the central international office and shall inform them of the competent authorities referred to in the preceding article.

ARTICLE 25

In time of war, articles 2, 3, 4, 5, and 6 shall be considered as suspended from operation until the restoration of peace so far as concerns any export and transit of arms, munitions, or implements of war to or on behalf of any of the belligerents recognised as such by the exporting country and the countries of transit, provided such recognition has been previously communicated to the other High Contracting Parties.

ARTICLE 26

Any government may, on signing or adhering to the present convention, declare that it accepts its provisions partially or conditionally, provided that the high contracting parties consent and that it does not thereby affect the effectiveness of the supervision of the trade in arms, munitions, and implements of war.

Nevertheless, the convention shall only apply to powers availing themselves of the option provided in the previous paragraph if, within the period of one year from the notification by the French Government of the deposit of their ratification (or adherence), partial or conditional, no opposition to such ratification (or adherence) has been raised by any of the contracting parties.

ARTICLE 27

All the provisions of former general international conventions relating to the matters dealt with in the present convention, including the convention for the Control of the Trade in Arms and Ammunitions and the protocol signed at Saint Germain-en-Laye, September 10th, 1919, shall be considered as abrogated insofar as they are binding between the powers which are parties to the present convention.

The present convention shall in no way affect the rights and obligations which may arise out of the provisions either of the covenant of the League of Nations or of the treaties of peace signed in 1919 and 1920 at Versailles, Neuilly, Saint Germains, and Trianon or of the treaty limiting naval armaments signed at Washington on February 6th, 1922, and the provisions of agreements registered with the League of Nations and published by the League up to the date of the coming into force of the present conventions, so far as the powers which are signatories of or benefit by the said treaties or agreements are concerned.

ARTICLE 28

The Council of the League of Nations shall cause to be published an annual report on the operation of the present convention.

This report shall be presented to the Assembly of the League of Nations.

ARTICLE 29

The present convention, of which the French and English texts shall both be authentic, is subject to ratification. It shall bear today's date and shall be open for signature by the powers until________________ [date].

Each power shall address its ratification to the French Government, which shall at once notify the deposit of ratification to each of the other signatory powers.

The instruments of ratification shall then remain deposited in the archives of the French Government.

ARTICLE 30

The High Contracting Parties will use their best endeavours to secure the accession to the present convention of the other states, whether members of the League or not. On and after __________________ [date] the present convention may be acceded to by any power. Accession shall be effected by an instrument communicated to the French Government, which shall at once notify such deposit to all powers which are signatories of or accede to the convention.

The instruments of accession shall remain deposited in the archives of the French Government.

ARTICLE 31

Disputes between the parties relating to the interpretation or application of this convention shall, if they cannot be settled by direct negotiation, be referred for decision to the Permanent Court of International Justice. In case either or both of the parties to such a dispute should not be parties to the protocol of signature of the Permanent Court of International Justice, the dispute shall be referred, at the choice of the parties, either to the Permanent Court of International Justice or to a court of arbitration.

ARTICLE 32

The present convention will not come into force until it has been ratified by twelve powers, among whom shall be the following: Belgium, the United States of America, France, Great Britain, Italy, Japan, and Russia.

The date of its coming into force shall be the ___________________ day after the receipt by the French Government of the twelfth ratification. Thereafter, the present convention will take effect in the case of each party ______________ days after the receipt of its ratification or accession.

ARTICLE 33

The present convention may be denounced by any party thereto after the expiration of ten years from the date when it came into force in respect of that party. Denunciation shall be effected by notification in writing addressed to the French Government, which shall forthwith transmit copies of such notification to the other parties, informing them of the date on which it was received.

A denunciation shall take effect two years after the date on which the notification thereof was received by the French Government, and shall operate only in respect of the notifying State.

ARTICLE 34

The High Contracting Parties agree that at the conclusion of a period of five years the present convention shall, in the light of the experience then gained, be subject to revision upon the request of a third of the said high contracting parties.

APPENDIX. LICENSE TO EXPORT ARMS, MUNITIONS, AND IMPLEMENTS OF WAR

[Name and address of exporter.]
is hereby authorized to export the following arms munitions and implements of war.

[Here will follow a full description of the arms munitions and implements of war, their number, weight, and other necessary data, including the heading under which the exported goods will appear in the export statistics of the exporting country.]

To [name of importing government].

The above arms munitions and implements of war will be sent by

[Here state whether by sea, rail, or air.]

By the proposed following route or routes.

[Here give port or station of embarkation and disembarkation, route, and destination, including last port or station of consignment.]

[Name and address of purchasing agent of the importing government.]

[Signature of proper authority of government of exporting country.]

("Exhibit No. 826" appears in text on p. 2136)

EXHIBIT No. 827

UNION DES FABRICANTS D'ARMES DE LIEGE,
Liege le 18th of March 1925.

To the WINCHESTER REPEATING ARMS CO.,
New Haven, Conn., U. S. A.

GENTLEMEN: In reference to our preceding letters and to yours of the 9th of February past, we think that it may interest you to learn the desires expressed unanimously at the Paris Gunmakers Conference by all the attending delegations, among which we regret we had not the pleasure to meet some representatives of the American trade.

The congress, firstly, expressed the opinion that articles 1, 5, 6, 26, and 32 of the project of convention regarding the control of the international trade in war arms, ammunition, and material could not be accepted in the manner as drawn up by the temporary mixed committee. A new text has been proposed for these articles; enclosed please find a copy of it, which, we guess, will remove most of the fears expressed by your letter.

Then the congress was, as a principle, against any legislation of exception regarding our trade and industry; it was of the opinion that the private manufacture of war arms, ammunition, and material must remain free, always taking into consideration national laws and the peace treaties actually in force.

Finally, it was decided that these wishes should not be communciated to the press but that they would be brought by each of the delegations to the knowledge of their respective governments, requesting at the same time to take these desires into consideration on and to add to its delegates in view of the approaching international conference of Geneva (4th May, 1925) one or more technical experts thoroughly acquainted with the wishes and requirements our trade and traffic.

We trust that your company will adhere to these wishes expressed above and will approach your Government with a view to agree the same.

We are, gentlemen,
Yours very truly,

(Signed in ink.) E. NEUMAN, *the chairman.*

EXHIBIT NO. 828

[Original of incoming telegram]

Deliver to: F. G. Drew. Location 1–A–3

[Responsibility for action on this telegram rests upon the person receiving this copy]

W. U. Message
Received by W. R. A. Co.
Mar. 28, 1925, 8 a. m.

NA538 121 Govt. NL, Washington, D. C., 27.
WINCHESTER REPEATING ARMS CO.,
New Haven, Conn.

You are invited to send a representative to an informal preliminary conference to discuss the economic phases of the forthcoming Geneva conference for the control of the international trade in arms, munitions, and implements of war. The preliminary conference will be held in Washington, Wednesday, April first, at nine o'clock, in the Department of Commerce Building, Pennsylvania Avenue at Nineteenth Street. It is important that the American representative at Geneva be fully posted as to the views of American manufacturers of sporting arms and ammunition so that he may be able to safeguard their interests. You are earnestly requested to attend and to signify by wire your acceptance of this invitation. Draft convention being mailed you today.

(Signed) HERBERT HOOVER.

EXHIBIT NO. 829

[For the press]

DEPARTMENT OF STATE,
April 9, 1925.

The President has designated the following as the American delegates to the conference to be held at Geneva on May 4th to consider the conclusion of a convention with respect to the control of the international trade in arms, munitions, and implements of war:

Honorable Theodore E. Burton, chairman.

Honorable Hugh S. Gibson, American Minister to Switzerland, vice chairman.

Rear Admiral A. T. Long, Navy Department.

Allen W. Dulles, chief of the Division of Near Eastern Affairs, Department of State.

Brigadier General Golden L'H Ruggles, Assistant Chief of Ordnance.

In addition, there will be attached to the delegation as technical advisers and secretarial staff:

Mr. Charles E. Herring, Commercial Attaché at Berlin.

Mr. Alan F. Winslow, Secretary of Legation, at Berne.

Major George V. Strong of the War Department.

Commander Herbert P. Leary, U. S. Navy.

The conference will have before it for its consideration a draft convention for the control of the international trade in arms, munitions, and implements of war. The general principles embodied in this convention are that the shipment of arms and war material should in time of peace be restricted to recognized governments pursuant to a control to be exercised by each of the exporting States, that full publicity should be given to the international trade in arms, and that within certain areas of the world where the importation of arms is particularly open to objection, there should be a further and more rigorous supervision of the trade.

It is understood that more than thirty States have already signified their intention of being represented at the international conference.

EXHIBIT NO. 830

[File MS-100-D. S-14]

MARCH 25, 1925.

TRIP TO WASHINGTON, D. C., MARCH 23D, 1925

As directed, I called on General C. L. Ruggles, Assistant Chief of Ordnance, who is to go to Geneva, Swizerland, as part of the U. S. delegation to the International Conference on the Limitation of Armament, and stated that I came to put myself at his disposition to be of any possible assistance. General Ruggles replied that he did not need any assistance and then went on to say that he would like to get information on the location, ownership, and output of powder and other munition plants in Czechoslovakia, especially, and elsewhere in Europe. I gave him from memory some information on the Pressburg factory, the reported interest of British capital in Skoda and in Italian plants, the German plan of buying interests in Scandinavian factories, and I will prepare further data for transmission to him. I handed to Gen. Ruggles a copy of our letter of July 31st, 1924, to Comdr. Mayo of Naval Intelligence, U. S. N., containing data on the gross violations of the Chinese munitions embargo, as well as subsequent data on the same subject.

Gen. Ruggles had two publications on his desk, from which he read extracts from time to time, but did not show me. After some hesitation he told me that these were published by the League of Nations and sold by the World Peace Foundation, 40 Mt. Vernon Place, Boston, Mass. There were " Conference on Control of International Trade in Arms, C-758-M-258-1924 IX " and another one, "A-16-1924-IX ", which seemed to be a proposed international agreement to hamper or restrict the private manufacture of munitions of all sorts. Gen. Ruggles stated that his mission was absolutely secret—he is to sail on April 17th.

Gen. Ruggles stated that the U. S. was committed to the policy of cooperation in the limitation program, and that the following license plan seemed to be the most harmless, that the War Department was firmly committed to the policy of encouraging the private manufacture of munitions in the U.S., and that the War Department would take care that the Department of State protected such American industries. The license plan is that the country of origin grant a license to export each separate shipment of munitions. Shipments could be made only to recognized governments or to duly accredited representatives holding written authority from such governments. The government issuing these licenses shall compile them and publish quarterly returns showing the origin, destination, nature, and quantity of shipments. Component parts to be finished or assembled in other countries are subject to the same provisions, the firm or factory which is to finish them being substituted for the accredited representative of the government.

When any country shall have reason to believe that materials in or passing through its territory have not been properly licensed or that the destination is other than the ostensible one, it shall hold up the materials and investigate.

There are numerous provisions defining munitions and excepting firearms and ammunition intended for sporting purposes. Gen. Ruggles asked me if I saw any objection to the license system as he outlined, and I replied that I believed it would be observed stringently by the United States, but with extreme laxity, if at all, by other nations. That an unfriendly attitude toward such shipments by the U.S. State Department was not impossible, that it could be made difficult or very expensive for U.S. firms to secure such licenses, whereas foreign firms would be assisted by their governments in securing such business. In support of this idea, I cited the indifference, if not hostility, displayed in the case of South American orders by the U.S. Department of State, as contrasted with the active help given their nationals by the British, French, Italian, and German diplomatic, military, and naval officials. Furthermore, the U.S. Government would certainly observe the publicity clauses and other nations would not, thereby putting us at a disadvantage, since no nation wished to have the nature and extent of their munition purchases published to possible enemies.

General Ruggles said that the policy of the War Department was to aid private manufacturers in the U.S. and that the War Department would cause the Department of State to assume a helpful attitude, to which I replied that this had not been done heretofore and might not be done hereafter.

General Ruggles then suggested that the license be put under the Department of Commerce, which I agreed was better.

General Ruggles kept reiterating "would the du Pont Co. object to the licensing system if it were fairly and uniformly enforced, if the State Department put no obstacles in the way of export and backed up the du Pont Co. in the event of illegal seizure of powder in transit by some foreign government." I replied that I did not believe any of those conditions were likely to exist, giving as an instance the Abyssinian arms embargo to which the French are signatory and are the principal violators, but if the license system were universally and fairly enforced, I could see no objection to it.

Gen. Ruggles then referred to document A–16–1924–IX and read extracts from another plan openly intended to limit the private manufacture of munitions; some of the features of this proposed plan are:

All companies manufacturing or selling munitions shall give full publicity to their records, their stock ownership, sales, and profits.

They must not own, even in part, any newspaper or publish or attempt to publish any propaganda tending to create war scares or influence any government to purchase munitions.

They must not have any employee or representative who is a member of any legislative body.

There were several other items of a similarly vexatious nature which I do not now recall.

I told Gen. Ruggles that such an agreement would cause the private powder manufacturers to go out of business and would therefore act to the disadvantage of the U.S. Government. To which he replied that the War Department would not favor such a plan and that the license system would keep powder out of the hands of insurectionists, savage tribes, etc.

General Ruggles also mentioned that international embargoes were contemplated on the following regions:

Those parts of Africa covered by the Brussels Convention in the closing years of the 19th century.[1] (That is the Congo Free State.)

All of Africa now administered by British protectorate covering former German colonies.

The Red Sea, the Gulf of Aden, and the Arabian Sea.

Persia, who has protested that she is a sovereign state and can purchase what, where, and when she chooses; which protest will probably be sustained.

Turkey, who has also protested and since Turkey has "come back" in a military sense, the protest will probably be sustained.

Gen. Ruggles asked if I thought the du Pont Co. would protest against the African embargo and I replied that I thought not.

Gen. Ruggles asked if we had any prospects in Continental Asia, I replied that with the vague possibility of business with Siam we had not.

In the course of the discussion, the following points were called to Gen. Ruggles' attention, which apparently were previously unknown to him:

That the manufacture and sale of powder had been a government monopoly in France since the reign of Francis I.

Due to the encouragement of the German Government, Mauser rifles are used by all South American countries, Krupp guns by practically all, and Rottweil or other German powders by many of them, so that Germany was sure of suitable war supplies at all times, the cost of upkeep being borne by foreign peoples.

That English capital is invested in many munition plants on the continent, notably Skoda, Vickers Terni at Spezia in Italy, Armstrong at Puzzoloni in Italy, etc.

That in open violation of the Treaty of Versailles the Germans shipped munitions to the Argentines.

That Rottweil still makes and sells excellent military powders and German factories for munitions have been built or openly offered to build in Spain, Argentina, Mexico, etc.

The publications referred to by General Ruggles have been ordered.

AIKEN SIMONS.

AS/h.

We consider this information confidential.

E. I. DU PONT DE NEMOURS & CO.
By K. K. V. CASEY.

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[1] Pencil marking: "July 2, 1890."

EXHIBIT NO. 831

[Written on E. I. du Pont De Nemours & Company, Incorporated, letterhead]

E. I. DU PONT DE NEMOURS & COMPANY, INCORPORATED,
Wilmington, Delaware, February 22, 1928.

C/C MR. H. F. BEEBE,
Winchester Repeating Arms Co., New Haven, Conn.
MR. C. STEWART COMEAUX,
Secretary Sporting Arms & Ammunition Mfgrs. Inst.,
103 Park Avenue, New York, N.Y.
MR. PAUL S. LIVERMORE,
Ithaca Gun Co., Ithaca, N. Y.

National legislation re: Arms and ammunition for export.

DEAR MR. COMEAUX: * * * In the spring of 1925 it became known that an international congress was to be held at Geneva for the purpose of limiting the exportation of munitions and that it was probable that efforts were to be made by certain foreign elements to prohibit the private manufacture of munitions. On March 28, 1925, Mr. Hoover, Secretary of Commerce, telegraphed a number of American manufacturers of arms and munitions, inviting them to attend a conference to be held in Washington on April 1. This conference was presided over by Mr. Hoover in person and was attended by representatives of a number of industries.

After a preliminary discussion Mr. Hoover requested the conference to organize and appoint its own committee. Mr. Beebe, as chairman, appointed the following executive committee:

Major Simons, du Pont Company, vice chairman.
Mr. Nichols, Colt Patent Firearms Company.
Mr. Reierson, Remington Arms Company.
Mr. Harrington. Harrington & Richardson Arms Co.

We found Mr. Hoover very sympathetic and helpful throughout and with his assistance a call was sent to thirty-six other industries, which had not at that time sent delegates and which tended to give our committee a more national scope and authority.

Resolutions were drafted showing the objections of the American manufacturers to the proposed international agreement and at a later conference held in Washington.

On April 14th the executive committee presented their final report to Mr. Hoover, at a meeting at which he presided, which was attended by the American delegates to Geneva, namely, Admiral Long, General Ruggles, Major Strong, Mr. Bulles, and Mr. Mariner.

Evidently this committee represented the opinions and decisions of the following firms:

E. W. Bliss Co., Brooklyn, N.Y. (torpedoes, etc.).
Colt Patent Firearms Co., Hartford, Conn.
Goodyear Tire & Rubber Co., Akron, Ohio (balloons and dirigibles).
Harrington & Richardson Arms Co., Worcester, Mass.
Hercules Powder Co., Wilmington, Del.
Hunter Arms Co., Inc., Fulton, N.Y.
Ithaca Gun Co., Ithaca, N.Y.
Iver Johnson Arms & Cycle Works, Fitchburg, Mass.
Remington Arms Co., New York City.
U. S. Cartridge Co., New York City.
Winchester Repeating Arms Co., New Haven, Conn.
Western Cartridge Co., East Alton, Ill.

It is believed that by the action of Mr. Hoover in appointing this committee and the committee's subsequent work, the Geneva Conference was prevented from adopting international agreements which would have been burdensome to American manufacturers and so far as I know, the committee has never been dissolved. * * *

Very truly yours,

(Signed) AIKEN SIMONS.

AS: MH

EXHIBIT No. 832

[File MS-100-D]

REPORT No. 16-S

APRIL 2, 1925.

WASHINGTON MARCH 31ST AND APRIL 1ST

Called on General Williams to discuss the proposed international regulations for the limitation of private manufacture of munitions. General Williams expressed himself very frankly as being entirely in sympathy with our view that the private production of munitions in the United States is essential to national defense and should not be interfered with.

Called on General Ruggles and found there, Mr. Nichols, of the Colt Firearms Company and Mr. Beebe, of the Winchester Company. The same matter of proposed limitation was discussed with General Ruggles, who stated that he was opposed to licenses on the following grounds:

(*a*) Should the United States grant such licenses they might possibly become subject to damages such as arose from the claim of the U. S. Government against Great Britain for the fitting out of the C.S.S. *Alabama*.

(*b*) It is possible that this license system might interfere or be thought to interfere with the strict observance of neutrality.

(*c*) This system would tend to work a disadvantage to small and nonindustrial nations possessing no factories, and has been protested by Brazil and Persia.

(*d*) Federal licenses would add to red tape, vexation, and bother, and would tend to discourage American exports.

Joined Major Casey that evening and went with him to call on Messrs. Nichols and Beebe, where we also found Mr. Rierson, president of the Remington Arms Company. These gentlemen were found to be in complete accord with the views of the du Pont Company.

On Wednesday morning attended a meeting presided over by Mr. Hoover, Secretary of Commerce, at which 13 representatives of arms and munitions and powder companies were present, as well as Mr. L. Domeratsky, asst. director, Bureau of Foreign and Domestic Commerce, Department of Commerce, and Mr. W. L. Hoagland, Chief of the Specialties Division, Department of Commerce. The various manufacturers voiced their very strong opposition to the proposed international agreement and appointed an executive committee, of which Mr. Beebe was chairman, for the purpose of drafting resolutions stating reasons for our opposition, as well as notifying other concerns engaged in the manufacture of munitions of the contemplated agreement. The Department of Commerce will prepare the minutes and resolutions of this meeting and forward them to all the companies previously addressed, as well as 36 other companies in the munitions business. These companies will be asked to reply by letter or wire as to their opinions in the matter, replies to be in by April 10th, and it is proposed to hold a further meeting in Washington on or about April 10th, at which time the United States delegates to the Geneva convention will be present and hear the views of the American manufacturers.

At the request of Mr. Beebe, the writer is to serve as vice chairman of the executive committee and to handle the actual details of business. Mr. Beebe handed the writer the resolutions adopted by the French gunmakers in opposition to this proposed agreement, which are essentially the same as the objections of the American manufacturers. These resolutions have been translated and are now available.

AIKEN SIMONS.

AS: N

EXHIBIT No. 833

REPORT OF INFORMAL MEETING OF MANUFACTURERS' REPRESENTATIVES TO DISCUSS THE ECONOMIC PHASES OF THE FORTHCOMING GENEVA CONFERENCE FOR THE CONTROL OF THE INTERNATIONAL TRADE IN ARMS, HELD AT THE DEPARTMENT OF COMMERCE ON APRIL 1, 1925

In response to the invitation of Secretary Hoover, the representatives of the following companies attended an informal preliminary conference on April

1, 1925, to discuss the economic phases of the forthcoming Geneva Conference for the control of international trade in arms, munitions, and implements of war:

Mr. S. J. Gilles, Hunter Arms Co., Inc.
George Livermore, Ithaca Gun Co.
H. F. Beebe, Winchester Repeating Arms Co.
C. L. Reierson, Remington Arms Co.
J. T. Skelly, Hercules Powder Co.
Elliott C. Dill, United States Cartridge Co.
John W. Harrington, Harrington & Richardson Arms Co.
K. K. V. Casey, J. Warren Kinsman, and Aiken Simons, E. I. Du Pont de Nemours & Co.
F. C. Nichols, Colt Co.
Paul S. Livermore, Ithaca Gun Co.
W. J. Joesting, Western Cartridge Co.

The meeting was called to order by Secretary Hoover, who suggested that the representatives present express their views, and that these views be put in writing and a committee be appointed to represent the interested industries at a later meeting, at which, it was hoped, that the delegates appointed by our Government to attend the Geneva Conference would be present.

Mr. H. P. Beebe, of the Winchester Repeating Arms Company, was elected chairman of the committee.

It was the unanimous opinion of the representatives of the industries that their were grave objections to the proposed draft in its present form and the following changes or reservations were strongly recommended. Following each recommendation is a short note indicating the reason why it is offered. The recommendations are arranged in the order of articles of the proposed Convention, copy of which is attached.

RECOMMENDATIONS

Article I: Eliminate from category I all pistols and revolvers.

(NOTE.—They are primarily not war materials.)

Add to category I the following: "*Provided*, That nothing in this category shall be construed to apply to sporting arms and ammunition of any caliber, or component parts thereof."

(NOTE.—It is impossible to differentiate by caliber between sporting and military arms.)

Add to category I the following: "Notwithstanding the provisions regulating the shipment of the articles enumerated in category I, such articles may be shipped in the quantities customarily purchased for sporting, commercial, and industrial purposes, to others than governments, their subdivisions, or their representatives."

(REASON.—This is intended to meet the legitimate demand for sporting, demonstration, and industrial purposes.)

From category III, strike out the words "such as", and all that follows.

(NOTE.—Having defined categories I and II, any further definition of category III would be superfluous.)

Article 3: Sec. 1. Include "subdivisions thereof, and territories under mandate."

(NOTE.—Many of the States and municipalities purchase equipment direct and not through their national government. The fact that the consul of such government vises the shipment is evidence of its willingness to permit importation.)

Subdivisions 1 to 6, inclusive. "The customs and shipping documents, including the consular invoices, shall be accepted in lieu of a license."

(NOTE.—The delays attendant on securing license would seriously handicap legitimate business, and all the data and publicity necessary or desirable could be obtained from the documents now filed with both exporting and importing countries.)

Articles 4 and 5: Believing it impossible to carry out the provisions of these articles, it is recommended that our delegates make reservations to that effect.

Article 6: Eliminate all but the first sentence.

(NOTE.—The purpose of this is to give the same freedom of action in the case of items in category II as in category III.)

Article 32: Add Sweden, Czechoslovakia, Germany, Austria, Spain, Switzerland, Norway, Jugo Slavia, and all other countries manufacturing and exporting arms and munitions.

(NOTE.—The representatives of the industries in attendance on April first believe that unless this convention is signed by all countries manufacturing and exporting munitions on an important scale the convention will not accomplish its purpose.)

Yours respectfully,

(Signed) H. F. BEEBE,
Chairman Winchester Repeating Arms Co., New Haven, Conn.
(Signed) AIKEN SIMONS,
Vice Chairman E. I. du Pont de Nemours & Co., Wilmington, Delaware.

APRIL 1, 1925.

EXHIBIT No. 834

APRIL 6TH, 1925.

Congressman JOHN Q. TILSON,
House of Representatives, Washington, D. C.

Subject: Forthcoming Geneva Conference for the Control of the International Trade in Arms, etc.

MY DEAR COLONEL: Since I called on Mr. Dulles we have been carefully studying this draft and the more we get into it the more certain it appears to us that it will not accomplish its purpose, but will on the contrary be detrimental to American manufacturers to the advantage of some of the countries that will not be required to sign.

As you are possibly aware, Secretary Hoover called an informal meeting of the interested industries and as a matter of information a copy of the proceedings is enclosed herewith.

As I am aware that you are at present in Europe, I am enclosing this to your secretary, Capt. McCuen. It occurred to me that it is not probable you might be consulted in this connection while on the other side, and I am leaving it to Capt. McCuen to use his judgment about forwarding this letter to you.

You will please be assured of my keen appreciation of the interest you have taken in the matter.

I know you are having a busy time, but I trust that it is proving an enjoyable one.

Yours very truly,
H. F. BEEBE,
Mgr. Foreign Department.

(There was no exhibit marked "No. 835.")

EXHIBIT No. 836

[File MS–80–A. DR–61]

APRIL 10, 1925.

General J. H. RICE,
47 Avenue de l'Opera,
Paris, France.

MY DEAR GENERAL RICE: As you are probably aware, the United States Government has accepted an invitation to send delegates to the Conference to be held in Geneva on May 4th to discuss methods of limiting the international traffic in arms, munitions, etc.

The American delegates will probably be Representative Burton of Ohio, Mr. Gibson of the State Department, General Ruggles, Assistant Chief of Ordnance, U. S. A., some representatives of the Bureau of Ordnance, U. S. N., and possibly others.

The purpose of this letter is to advise you of the situation and to request that you give General Ruggles any aid in your power, since there is no one better fitted than yourself to give this aid and I am sure General Ruggles will appreciate the necessity for it and accept it gratefully.

You will probably receive a personal letter from General Williams with whom I have discussed the matter and I can confidentially state that General Williams believes that any steps which would hamper the private manufacture of munitions in the United States would be extremely detrimental to our national defense.

Attached hereto is League of Nations document A-16 1924 IX, which is a report including the proposed international convention (pages 8-16) with a general discussion on the subject. On page 20 you will see a general report on the private manufacture of arms, etc., and on pages 22 and 23 the minority report which contains a slanderous attack on the armament firms, indicating an intention to suppress eventually private manufacture. You will find this entire document interesting and worth while as well as the parts referred to.

Attached also is an account of what has been done so far in this country, which gives in detail, action taken up to date.

Attached also is a letter sent out by the Department of Commerce to over fifty manufacturers of ships, aeroplanes, guns, explosives, dyestuffs, torpedoes, and armoured cars, covering the action taken by an informal conference in Washington on April 1st, in which various American manufacturers expressed their views on the proposed limitation.

Attached also is a translation of resolutions adopted by a congress of gunmakers held at Paris, February 16th, showing proposal modifications of the draft convention to be presented at Geneva. You will see that their views are pretty much the same as the American manufacturers.

Representatives of the du Pont Comany will be in Washington on April 14th and will see the delegates before they finally leave this country.

Sincerely,

K. K. V. Casey, *Director.*

Exhibit No. 837

(Private. The following is a memorandum made up by Major Simons, of Du Pont & Company and vice chairman of the executive committee. This is confidential, especially the first three pages)

PROPOSED INTERNATIONAL LIMITATION OR CONTROL OF THE PRIVATE MANUFACTURE OF ARMS AND AMMUNITION

Under the terms of the Treaty of Versailles there was a convention held at St. Germaine in 1919, which drew up rather drastic regulations for the limitation of the private manufacture and traffic in arms and ammunition. The United States refused to ratify this St. Germaine Convention, since the ratification by the United States Senate would have exceeded the constitutional powers of that body. For the alleged reason that the United States had not ratified it, the majority of European powers likewise failed to do so, but there has been for several years past a continuous agitation for some form of international limitation or control of the arms traffic. This is frequently alluded to in the newspapers, but has not been regarded by the Military Sales Division as of any immediate importance.

On March 11th this Division learned from friends of the General Staff in Washington that the General Staff had been called on to prepare studies to be used by the American delegation at a convention to be held at Geneva in the near future for the purpose of considering the control of the arms traffic. Major Casey discussed this matter with General Williams, the Chief of Ordnance, U. S. A., who told him confidentially that Brigadier General C. L. Ruggles would probably be one of the delegates and suggested that Major Casey confer with General Ruggles in this regard.

On March 23d Major Simons visited General Ruggles and put himself at General Ruggles' disposition to be of any service possible, at the same time handing General Ruggles some information taken from the reports of Commander Gillis, our correspondent in China, and covering the gross violation of the Chinese arms embargo by all of the signatories thereto (Great Britain, France, Italy, and Japan), excepting only the United States, which coountry rigidly adheres to its treaty obligations to the detriment of American manufacturers.

General Ruggles stated that the United States was committed to the policy of cooperation in the limitation program and that a system of export licenses which had been proposed for adoption at the forthcoming conference seemed to be the least objectionable method. Major Simons discussed this matter at great length with General Ruggles, showing objections to this proposed license system as follows:

That it was almost certain that other nations would violate their obligations in this regard, while the United States would rigidly enforce them. That if the issuance of licenses rested with the Department of State, the well-known hostility of that Department to American munition manufacturers would probably cause the obtaining of licenses to be slow, expensive, and difficult, whereas the foreign offices of other countries would do everything to aid their nationals in obtaining munition orders. That it would simply add to the red tape and bother invariably caused by the interference of Government into private business.

General Ruggles stated that it was the definite policy of the War Department to aid private munition manufacturers in the United States in every possible way, and that he believed sufficient pressure could be brought to bear on the Department of State to prevent their antagonism to the manufacturers. General Ruggles also said that it was quite possible that the issuing of licenses could be put under the Department of Commerce, which would be better for the manufacturers.

General Ruggles tried to get Major Simons to say that the manufacturers would have no objection to this license system if the licenses were uniformly issued by all countries, if the United States Department of State would not take a hostile attitude and further would look after the rights of American exporters in this connection, but Major Simons insisted that past experience convinced him that none of these provisos were likely to occur.

On Saturday morning, March 28th, a telegram from Mr. Herbert Hoover, Secretary of the Department of Commerce, was received by the du Pont Company. This telegram was an invitation to attend the conference of American manufacturers of sporting arms and ammunition, to be held in Washington on Wednesday, April 1. This telegram was confirmed by mail, and attached to the confirmation was a draft convention for the control of the international trade in arms, munitions, and implements of war, whose essential features were the license system spoken of by General Ruggles, the division of all arms and munitions into three categories, and the necessary provisions for the issuance and publication of licenses, these being covered by articles 1–8, inclusive. Articles 9–24, inclusive, covered certain barred zones (which are not mentioned by name, but are known to be most of the African Continent, the shores of the Red Sea, the Gulf of Aden, and other arms of the Indian Ocean), as well as the questions of search and seizure at sea and supervision of land traffic. Article 25 states that in time of war the licensing and classification systems in the earlier articles are suspended from operation and in effect makes the convention null and void in time of war. The succeeding articles are matters of unimportant detail until article 32 is reached, which states that the convention shall come into force when ratified by 12 powers, among whom shall be Belgium, U. S. of A., France, Great Britain, Italy, Japan, and Russia. There is an appendix which gives a sample form of license to be used.

On the afternoon of March 31st Major Simons of this Division called on General Williams in Washington, who stated positively that the War Department was opposed in principle to any plan which would hamper or embarrass the private manufacturers of arms and munitions in the United States, for the reason that these manufacturers were essential to the national defense.

Later on in the afternoon, Major Simons called on General Ruggles, finding there Mr. Nichols, vice president of the Colt Company and Mr. Beebe, manager of the foreign department of the Winchester Company. General Ruggles stated that the licensing system seemed to him to be undesirable from a national standpoint for the following reasons:

a. That by issuing these licenses, the United States might become involved in claims made by some foreign government against whom the arms for which the license had been issued had been used.

b. That it might possibly involve a question of breach of neutrality.

c. That is was very objectionable to countries containing no native munition manufacturing industries. Brazil and Persia had already protested for this reason.

d. That a Federal license scheme would involve a great deal of annoyance and red tape.

On the morning of April 1st a meeting was held at the Department of Commerce at which Mr. Hoover, the Secretary of Commerce, presided. This meeting was attended by 13 representatives of small-arms companies, loading companies, and powder manufacturers.

Mr. Hoover opened the meeting by stating that the object of the licensing system was publicity, not prohibition, that this licensing must be, so far as U.S. manufacturers were concerned, entirely under the jurisdiction of the United States and, with the exception of the barred zones, there would be no alien control whatever, that all sporting arms and ammunition were exempt from this control under all circumstances, that the publicity must not be burdensome to the American manufacturers.

Major Casey replied to this by stating that the publicity now existed through the publication of export statistics and the control existed by the power of the President of the United States to place an embargo on the shipment of arms to any region or country which in his judgment was unsettled or revolutionary.

Mr. Hoover replied that the point at issue was whether the United States would subscribe to and live up to the convention in question.

Major Casey then gave a number of instances of gross violations of the Chinese arms embargo by all the nations signatory thereto excepting the United States, these instances being based on published newspaper reports and the confidential letters of Commander Gillis.

Mr. Nichols of the Colt Company stated, that in view of the high business standards of United States manufacturers as contrasted with their European competitors, he saw no reason why the license system would be of any advantage as applied to the United States, that United States exporters of munitions were greatly handicapped by the hostile attitude toward them of the United States Department of State whereas European manufacturers were not only aided by their foreign officers, but that army, navy, and diplomatic representatives of foreign governments actually assisted the sale of such items.

Mr. Hoover concurred to this, saying that the larger munitions, such as ships, heavy guns, etc., of European manufacturers were actually sold by government officials of those countries.

Major Casey replied that it was high time the United States took the same view, that the munitions industries in the United States were absolutely essential to national defense, and that to keep these industries in a proper position to produce when needed they should have foreign orders to keep the factories in condition and the operatives trained; that Germany had always maintained her munition factories by selling to foreign countries, so that they were always in a position to supply the demands of their own government.

Mr. Hoover then read article 3 of the draft convention which covers the system and method of export licenses for foreign shipments of arms and munitions.

Mr. Beebe of the Winchester Company stated that this system would be a serious handicap to legitimate business and stated that frequently subdivisions of governments such as provinces, States, and cities, purchased orders of arms and ammunition for the equipment of police forces, etc., that in his opinion the consular visa was all that was necessary since it signified the approval of the importing government and that the proposed licenses would cause trouble and delay.

Mr. Hoover said that the consular visa might constitute a license.

Mr. Dill said that licenses would be objectionable because a firm would have to receive a license before they could accept an order and that in this way information of proposed business would get into the hands of competitors.

Mr. Skelly suggested that all authorized buyers under this plan should be listed with the Department of Commerce in order to expedite matters.

Mr. Rierson objected that many of the smaller countries purchased through banks and commercial houses, that frequently orders came in by cable for immediate shipment and cited an instance of the purchase by Brazil of ammunition to be delivered to a battleship sailing the day after the receipt of the order.

Major Casey cited an instance of the objection to this system in that Mr. Shapira could never be made an official representative of the Greek Government.

Mr. Nichols called attention to the fact that we are from 4,000 to 5,000 miles away from our markets and competitors, while our competitors are close to the markets, so that any scheme which hampered or delayed American trade would be very serious.

A discussion then ensued about the use of consular visas and it was agreed that the manifest from the United States customs and the consular invoice from the importing country would constitute all requirements.

Major Casey then told of the methods of the du Pont Company of handling foreign orders, that as soon as an inquiry was received, both military and naval intelligence were notified and their permission secured to make the shipment, that on some occasions when an embargo was anticipated that the du Pont Company had actually gone to the State Department and offered to decline an order rather than accept it with the possibility of its being embargoed later; that he always felt certain that any shipment of munitions had the full approval of the War and Navy Departments.

Mr. Hoover then asked what was the difference between the verbal approval mentioned by Major Casey and written documents, and if there was any division in opinion in the United States Government by the various departments.

Major Casey stated that there always had been a difference in opinion between the Department of State on one hand and the War and Navy Departments on the other.

Mr. Nichols, Mr. Rierson, Mr. Dill, and Major Casey all stated that their companies did not do business with shady characters or gun runners.

Mr. Hoover then read article 5, which is to the effect that all governments shall take care that munitions in transit through their respective countries comply with the regulations of this draft convention.

Mr. Rierson objected to this on the grounds that a country, Italy for example, might hold up shipments through its territory destined for Czechoslovakia for the purpose of giving Italian manufacturers an opportunity to secure the order.

Messrs. Hoover, Nichols, and Casey agreed that this plan would have a tendency to make small countries start local munition factories in order to secure their necessary supplies and in this way would increase rather than limit the manufacture of munitions.

Major Casey then called attention to the fact that article 4 might be used to limit the export of picric acid or other dye intermediates intended for purely peaceful purposes, because they were also capable of being used as disruptive explosives.

Mr. Hoover then read article 6 to the effect that munitions in categories II and III might be exported without license if the exporting country so desired.

Mr. Rierson stated that the definitions in categories I, II, III were all dangerous and could be used to prohibit the export of anything larger than .22 caliber rifles.

Mr. Beebe said that under this deflation riot guns could be stopped because they had once been used by the United States as trench warfare equipment, that the old Winchester 44 sporting rifle could be put in category I for the same reason. Therefore, the heading of category I should be changed to read, "Exclusively designed for and now used for warfare."

Messrs. Rierson and Beebe stated that no American manufacturers cataloged military rifles as such.

Mr. Hoover asked how far would the volume of the shipment enter into consideration. Would it be possible to put a limit, say 500 or 1,000 rifles, as the maximum that could be shipped.

Mr. Beebe said that this would not be possible; that a shipment which would be a large one to one country would be a very small one to others.

Mr. Rierson said that in some cases the commercial shipments to certain countries were seasonal, for example, when the rubber collecting season started in Brazil, very large shipments of arms and ammunition were sent down for the protection of the rubber gatherers.

Mr. Nichols read from the report of a convention of French small arms manufacturers held in Paris, February 16, 1925, demanding that pistols be excluded from category I, with the exception of such pistols as could be fired from the shoulder or had leaf rear sights.

Mr. Beebe called attention to the fact that the European manufacturers had also asked that the type of heavy rifle which breaks at the breech to load be excluded from category I, which protected the European type of arm to the disadvantage of the American type, which does not break at the breech.

Mr. Rierson called attention to the fact that American manufacturers at best found it very difficult to secure export trade because of the competition of cheap and inferior arms made in Spain and Belgium. The Spaniards especially were notorious for their infringement of American patents and trade marks, deluging South America with a very inferior pistol bearing a trade mark closely resembling the Colt trade mark.

Mr. Domeratsky called attention to the fact that it was not necessary for a nation to issue licenses for categories II and III unless they wished to do so, this being covered by article 6.

Major Casey remarked that somebody in the State Department would probably "wish to do so", citing the Mexican arms embargo which prevented American firms shipping into Mexico but left an open door for European manufacturers.

Mr. Nichols called attention to the fact that when the United States Government lifted the Mexican arms embargo the United States Government sold Mexico the necessary arms, etc.

Mr. Hoover read articles 7, 8, and 9, to which there were no objections.

Mr. Hoover then turned to article 25, which states that in time of war articles 2–6, inclusive, shall be considered as suspended.

Major Casey asked "When does war start?", and stated that wars frequently commenced 10 years before the first shot was fired.

Mr. Hoover stated that nations would probably secure large parts of their military equipment before any declaration of war and called attention to the fact that any nation signing the proposed convention had power to make reservations amending any article provided these reservations did not conflict with their rights or duties under the Treaty of Versailles or other international treaties.

Mr. Hoover then suggested that the meeting organize, choose a chairman, and send to him in writing their objections to the proposed convention.

Mr. Rierson suggested Mr. Beebe of the Winchester Company as chairman.

Major Casey asked Mr. Hoover how closely the Department of Commerce was in touch with the War and Navy Departments, to which Mr. Hoover replied he did not know, that he got his information from the Department of State.

Mr. Dill asked if the United States Government was committed in principle to the draft convention as submitted and what was the opinion of the Department of State in this regard, to which Mr. Hoover replied that if a nation accepts an invitation to a conference, they accept the general principles outlined for discussion.

Mr. Beebe asked Major Casey to prepare a memorandum as to what other industries should be consulted in this regard, which Major Casey did, listing the following: Shipbuilding, aeroplanes and balloons, guns, explosives, dye intermediates, torpedoes, armored cars.

Mr. Hoover then stated that he wanted the protests of the manufacturers to be facilitated in every way possible and Mr. Beebe would be at liberty to use Mr. Hoover's name in writing the other manufacturers.

Mr. Rierson stated that the disappearance of game in the United States tended to limit the sale of sporting firearms and ammunition and that in order to keep the private factories in operation it was necessary for them to get export business, that private factories were absolutely necessary in national defense, in support of which Mr. Rierson read some statistics from a Government report showing the percentage of small arms of various kinds made at Government arsenals and the percentage made by private manufacturers during the war with Germany.

Major Casey stated that while a very large majority of the small arms were made by private factories in the case of propellants more than 99% would be made by private manufacturers in event of a national emergency.

Mr. Kinsman brought up the fact that many dye intermediates were also used as explosives so that a substance ordered for an entirely peaceful purpose might be held up unless definite provision to this effect was made. The best known example of this would be picric acid, but there were some five or six others as well and that in the case of picric acid the present supplies had actually been manufactured for war purposes but were now being sold as dyes.

Mr. Hoover then requested the gentlemen present to organize and advise him of their action before April 10. Mr. Hoover then withdrew from the room.

Mr. Domeratsky called attention to the fact that where a draft convention had been prepared for discussion at a conference such as is to be held at Geneva, international usage forbids the alteration of the main body of the convention. Any differences in opinion by the nations taking part in the conference being covered by that nation making reservations as to their acceptance or partial acceptance of the clause objected to. Hence, any action taken by the United States delegates would be in the form of such reservations rather than an attempt to change the draft as it now stood.

A general discussion took place as to the detailed wording of these reservations and it was agreed that Messrs. Beebe, Nichols, and Simons, as well as such other delegates who cared to do so, should return at 3 o'clock for the purpose of putting these reservations into final form.

The conference adjourned at about 1:15.

Upon resuming in the afternoon Mr. Beebe appointed the executive committee to consist of the following: Major Simons, of the du Pont Company, vice chairman; Mr. F. C. Nichols, of the Colt Company; Mr. C. L. Rierson, of the Remington Arms Company; and Mr. John W. Harrington, of the Harrington & Richardson Arms Company. Mr. Beebe requested Major Simons to take over the active work of this committee and to have all communication for the committee sent to Major Simons, giving as a reason that Wilmington was more central and that he, Mr. Beebe, was very much pressed with other duties. With Major Casey's consent, the above was agreed to.

The committee then took up in detail the objections to the articles of the draft convention as follows.

Article 1, category I, which consists of—

1. "Arms and munitions assembled or component parts exclusively designed for land, sea, or aerial warfare, whatever their mode of employment.

"*a*. All arms and ammunition used by the armed forces of the different states, including pistols and revolvers of a caliber greater than 6.5 mm, rifles, carbines, machine guns, infantry guns and mortars, cannon, howitzers and mortars, etc., grenades, bombs, mines, torpedoes, depth charges, shells, ammunition and appliances for the above arms and apparatus, bayonets, swords, and lances.

"*b*. All equipment listed in subheading "*a*" which has been employed in the service of some state but is no longer.

"2. Implements of war hereafter enumerated and component parts which are capable of being utilized only in the manufacture of the said materials, ships of all kinds designed exclusively for war, including submarines. Airships, aeroplanes, and seaplanes designed exclusively for war. Tanks and armored cars."

The committee asks a reservation eliminating pistols and revolvers from category I;

Since they are primarily not war materials.

Also a revision providing "that nothing in category I shall be construed to apply to sporting arms and ammunition of any caliber or component parts thereof";

Since it is impossible to differentiate by caliber between sporting and military arms.

Also a reservation to category I as follows: "Notwithstanding the provisions regulating the shipment of the articles enumerated in category I such articles may be shipped in quantities customarily purchased for sporting, commercial, and industrial purposes to other than governments and subdivisions or representatives."

This is intended to meet the legitimate demands for sporting demonstration and industrial purposes.

With the above reservations applied to category I, category III could logically read, "Arms and munitions having no military value. All arms and munitions other than those defined in categories I and II." Any further definition of category III would be of no value.

Article 3 in the draft convention establishes the principle of export licenses for the arms, etc., in category I and establishes the conditions and methods of issuing such licenses. Paragraph 1 of article 3 states that "Licenses are not to be granted except for a direct supply to a government recognized as such by the government of the exporting country."

The committee recommends a reservation which shall include in the above paragraph not only recognized governments but subdivisions thereof and territories under mandate. The reason for this is that many States and municipalities purchase arms and ammunition for the use of police and State troops, these purchases being made directly and not through the national governments. The fact that a consul of the importing government will vise the shipment is evidence that the importing government consents to the transaction. The words "territories under mandate" were included at the request of the Department of Commerce and probably have some reference to the attitude of the United States towards those territories mandated under the Treaty of Versailles. To article 3, paragraphs 1 and 6, a reservation to the effect that "customs and shipping documents including the consular invoice shall be accepted in lieu of a license", for the reason that the delays attendant on securing license would seriously handicap legitimate business and all data and publicity necessary or desirable could be obtained from documents now filed with both exporting and importing countries.

Article 4 covers the conditions under which component parts of equipment covered by category I may be shipped to private individuals. The committee believes that it would be impossible to carry out the provisions of these articles and recommends that the delegates make reservation to that effect.

Article 5 is to the effect that when any of the high contracting parties to this convention have reason to believe that any shipment made under the provisions of this convention and then in transit through their territories does not conform to the provisions of the present convention, they will undertake to investigate the circumstances, and, if necessary, prohibit the transit. The committee believes that it will be impossible to carry out the provision of this article and requests that the United States delegates make reservations to that effect.

Article 6 reads, "Without prejudice to the provisions of article 7, arms and munitions in categories II and III may, if the exporter's country so desires, be exported without license, provided, nevertheless, that in the case of arms and munitions of category II the high contracting parties hereby undertake to determine from the size, destination, and other circumstances of each consignment whether these arms and munitions are intended for war purposes. If such is the case, the high contracting parties undertake that the shipments shall become subject to articles 2 to 5." The committee recommends a reservation eliminating all but the first sentence of this so as to give the same freedom of action in the case of items in category II as those in category III. It is the opinion of the committee as well as the whole body of manufacturers represented that it would be impossible to determine in any reasonable time whether the consignment was for war or peaceful purposes and that any attempt to do so by the average Government employe would result in no end of annoyance, confusion, and red tape.

Article 32 is to the effect that the convention will not come into force until it has been ratified by 12 powers, among whom shall be the following: Belgium, U. S. A., France, Great Britain, Italy, Japan, and Russia. The committee believes that a reservation should be made to the effect that the convention shall not come into force until it has been ratified by the above powers, and in addition thereto Sweden, Czechoslovakia, Germany, Austria, Spain, Switzerland, Norway, and all other countries manufacturing and exporting arms and munitions. The representatives of the industries in attendance on April 1 believe that unless the convention is ratified by and adhered to by all countries manufacturing and exporting arms and ammunition it will be of no value from a humanitarian standpoint but will work to the disadvantage of those countries which ratified it and attempt to live up to it and to the advantage of any country which does not observe it.

The above-recommended reservations were typed up through the courtesy of the Department of Commerce, signed by the committee and sent to all firms which had received the invitation to attend on April 1; also to 36 prominent manufacturers of ships, airplanes, and balloons, guns, explosives, dyestuffs, torpedoes, and armored cars, with the request that they examine the recommendations and make such further proposals as they see fit to be submitted in writing to the committee on or before April 10, it being the present plan for Mr. Hoover to meet the committee again, possibly with the American delegates to Geneva on the afternoon of Tuesday, April 14. It is hoped that enough manufacturers will reply before that time so that arrangements can be made to have a full meeting of all the manufacturers who so desire on Tuesday morning so that any committee acting can be assumed to act for all American firms engaged in munition manufacture.

PART 2

The reservations recommended in part 1 were mimeographed through the courtesy of the Department of Commerce and sent to 36 prominent manufacturers in addition to those who had been previously notified. However, replies were received from the E. W. Bliss Company, of Brooklyn, and the Goodyear Tire and Rubber Company, of Akron, Ohio, alone of the 36 firms.

Major Simons of this division went to Washington on Monday, April 13 and called on Mr. Dulles of the State Department in order to present our views. Mr. Dulles was extremely willing to receive any information available and to hear the standpoint of the manufacturers, but in a general way had the same altruistic attitude common in the State Department that it would be possible to get up some sort of international agreement which would be strictly observed by all the nations signatory thereto and would have the effect of putting an end to the evils of the traffic in arms and munitions without being burdensome to legitimate manufacturers.

Mr. Dulles was advised of the gross violations of the Chinese Arms embargo by all the nations signatory thereto excepting only the United States, and of other violations of similar agreements, subjects on which he was as well, if not better, informed than we are.

Major Simons then called on Admiral Long, who is the Navy representative of the American commission, finding him an exceedingly intelligent, well-informed and courteous officer, who is entirely conversant with the point of view of the manufacturers of munitions and is also thoroughly versed in diplomatic procedure having commanded the American Naval Forces in the Eastern Mediterranean in 1922, during the Greek-Turkish War, so that little could be said to him other than to express our views and interest in the matter, to all of which Admiral Long listened attentively.

On the morning of April 14, the executive committee of the manufacturers met and drew up their final report which was presented at a meeting held that afternoon, presided over by Mr. Hoover and attended by Admiral Long, General Ruggles, Major Strong, Mr. Dulles, and Mr. Mariner, both of the State Department; Mr. Domeratzky and Mr. Hoagland, both of the Department of Commerce, and the executive committee consisting of Messrs. Beebe, Simons, Nichols, Rierson, and Harrington.

Mr. Hoover stated that the United States will have to agree to some form of licensing but that he intended to have a system whereby all United States Customs Commissioners would have absolute instructions to issue licenses automatically upon presentation of a consular visa and that every effort would be made by the United States Government to eliminate red tape, delay, or hindrance. In the case of some large and purely military materials such as heavy guns, battleships, etc., it might be necessary to refer the matter to Washington, but that even then every effort would be made to eliminate delay or annoyance to the manufacturer.

Admiral Long stated that this was now practically the case in regard to large orders; for example, the New York Shipbuilding Company secured the approval of the United States Navy Department before undertaking to build oil tankers for Japan. Possibly submarines might present some difficulties but that he thought even that could be overcome.

Mr. Hoover stated that the United States delegation was making absolute reservations removing sporting arms from category I, which statement was substantiated by Admiral Long, General Ruggles, and Mr. Domeratzky.

Mr. Hoover went on to say that with the system of licenses he had in mind very few cases would come to Washington, that he had in mind the entire administrative procedure which was very simple but which he did not wish to enlarge on at that time.

Mr. Hoover stated that the American delegates would make reservations including the subdivisions of countries in addition to countries themselves as being entitled to order such munitions as they saw fit and would make further reservations permitting relatively small quantities of munitions needed for demonstration and commercial purposes, etc., to be shipped to private individuals.

General Ruggles raised the point that strictly military rifles could not be sold to anyone except governments and Admiral Long recommended a reservation to cover this in the case of small quantities of these rifles which would be used for sporting or other nonmilitary purposes.

It was the opinion of Mr. Hoover and all others present that the reservation made to category I permitting the shipments of all articles in this category in relatively small quantities would take care of General Ruggles' objection.

Messrs. Hoover and Domeratzky stated that extensive reservations had been made to cover the duties and rights of the United States under articles 4 and 5.

General Ruggles raised the point of what constituted a "component part", thus complete machine guns might be considered component parts of tanks or aeroplanes, that European manufacturers of tanks or planes might have orders to equip them with American-made machine guns and unless they could secure these guns as component parts might be prevented from using them.

Mr. Hoover replied that this objection would be overcome by the various governments filing a list of manufacturers authorized to purchase such component parts and that the name of the consignee on such a list would compel the custom authorities to issue licenses automatically as before.

Major Strong stated that article 4 as redrafted met all the objections offered by the manufacturers.

Mr. Reierson asked how military firearms would be differentiated from sporting firearms to which General Ruggles replied that the phrase "exclusively designed for war purposes" made this very clear and Mr. Hoover said that the principle being accepted by the American delegations there would be no difficulty in drafting a phrase to protect legitimate commercial shipments both of rifles and ammunition.

Admiral Long stated that the United Staftes delegation would not tolerate for a minute any plan which would in any way interfere with sea shipments, that the transit clauses would apply only to land traffic and that this would only affect such nations as had no seaports, but that he saw no way to protect such nations.

Coming to article 32 which defined what countries should ratify the convention in order to make it effective, Mr. Dulles stated that notwithstanding the fact that it was known that Germany was exporting arms and munitions, it was not possible from a diplomatic standpoint to mention Germany or any of the Central Powers in this connection since they were supposed to abide by the treaties which put an end to the World War.

Mr. Beebe raised the point that unless this article was so worded as to require adherence by all nations manufacturing arms and munitions, the whole convention was of no avail and that due to interlocking stock ownership of European arms plants, it would be quite possible for a firm, say in France, or England, to make shipments from a plant in Sweden or Czechoslovakia, if these countries did not adhere to the convention and that he, Mr. Beebe, believed that the proposed convention was a deliberate attempt on the part of certain European manufacturers to hamper American trade for their own advantage.

Mr. Dulles asked why should any European country be so ungrateful as to wish to hurt the United States after what the United States had done for them in the years 1914–1918. (Most of the gentlemen present smiled.)

Mr. Hoover stated that in view of the strong recommendations made by the War and Navy Departments and the manufacturers' representatives, that the Departments of State and Commerce had made reservations to cover as fully as possible our objections, after saying which Mr. Hoover left the meeting.

Mr. Dulles states that the United States would oppose all attempts to include Persia and Egypt in the barred zones, and exhibited a map of the barred zones which included all of the African Continent excepting the French possessions in the northwest and the Union of South Africa. The barred zone was also shown to include Arabia, Mesopotamia, and certain parts of Asia Minor.

Mr. Domeratzky very kindly agreed to have the final report of the committee made up in mimeographed form and to supply sufficient copies so that all the firms which had replied by letter or in person could receive a copy.

Mr. Domeratzky and Mr. Hoagland then asked the firearms manufacturers to meet them to discuss the question of proof tests for firearms barrels, which was covered under a previous convention held in Brussels several years ago, which convention will probably become effective in the near future. Since this was not a matter in which the du Pont Company was concerned, Major Simons declined an invitation to be present at this discussion.

The meeting then adjourned.

AS: LAC.

April 16, 1925.

PART III. SUMMARY

Drastic regulations of the private traffic in arms and ammunition were adopted by an international conference at St. Germaine in 1919. These were not ratified by the U. S. Senate nor the principal powers.

The military sales division learned that a further conference was to be held at Geneva in May and immediately took steps to present the views of the du Pont Company to the U. S. Government officials.

Secretary of Commerce Hoover called a conference of American manufacturers of arms and munitions in Washington on April 14th, which was attended by Major Casey, Mr. Kingsman of the dye department, and Major Simons.

Mr. Hoover discussed the proposed draft of the international agreement which in brief consisted of dividing munitions into three categories, viz: Absolute war materials, conditional war materials, and nonmilitary materials. The exportation of the first must and of the second might require a license from the Government of the exporting country.

The manufacturers expressed their objections to Mr. Hoover who requested them to nominate a committee and put their views in writing.

A committee was nominated with Mr. H. F. Beebe of the Winchester Repeating Arms Co., as chairman, Major Simons of the du Pont Co., as vice chairman, and three other members. This committee put their objections in writing and with the assistance of the Department of Commerce sent copies to 36 other manufacturers requesting their opinion on the matter.

Few replies were received but all those were of a confirmatory nature.

On the further call of Mr. Hoover, the committee met him and the U. S. Delegates to Geneva in Washington on April 14th when the final report of the committee was handed in.

Present at this time were Admiral Long, U. S. N., General Ruggles, U. S. A., and Mr. Dulles, of the State Department, the other delegates, Representative Burton, of Ohio, and Mr. Gibson, U. S. Minister to Switzerland, having already sailed for Europe.

Mr. Hoover stated that due to the representations made by the War Department, the Navy Department, and the manufacturers' committee, the U. S. delegates would make reservations on the proposed draft which would render it harmless to American interests, but that the U. S. Government was committed in principle to the license system and would not refuse to consent to it.

Briefly the reservation will be—

Licenses will be granted in general on all categories and without difficulty by U. S. Customs officials upon presentation of consular invoices granted by the consul of the importing countries.

Shipments of materials in the usual commercial quantities may be made to private individuals in foreign countries.

Subdivisions of foreign countries as well as the countries themselves will be permitted to import in quantity.

Extensive reservation will be made to cover the rights and duties of U. S. A. over goods in transit and the freedom of maritime transit will be insisted on.

The adherence of the manufacturing countries will be made a condition of the convention going into effect.

With the reservation made by the U. S. Government and the presence at the conference of Admiral Long, U. S. N., Commander Leary, U. S. N., General Ruggles, U. S. A., and Major Strong, U. S. A., all of whom are familiar with our point of view, it is believed that the interests of the du Pont Company and our customers will be properly looked after.

(Signed in red) Aiken Simons.

Exhibit No. 838

[File MS–157–A]

May 16, 1925.

To: H. G. Haskell, Vice President.
From: Publicity Bureau.

This is the message from the Public Ledger to its correspondent in Wilmington, about which I talked to you last night.

"We have a private message from Paris stating that 'a certain foreign government' is reported investigating the activities in Central European nations of Colonel Taylor, chief agent of the Du Ponts in Europe. Purpose of the investigation is to find a possible connection with Senator du Pont and the White House. The good faith of the United States in the Arms Conference is involved. Taylor's assistant, Brigadier General Price, who was at Geneva last week sailed Wednesday on the steamship France. Can you get us anything from the Du Pont angle on Taylor's activities at the present time, and of any possible special duties to which he may have been assigned which in any way might lead to complications in the arms parley through association with Senator du Pont."

This is the reply sent as an official statement from the Du Pont Company.

"Colonel Taylor is the Du Pont Company's commercial representative in Europe, with headquarters in Paris. He has been there in that capacity for five or six years. Neither he nor his assistant has any mission directly or indirectly concerned with the Arms Conference, or with Senator du Pont, who is in no way connected with the Du Pont Company. The Du Pont Company has no contact of any sort with the Arms Conference."

CHARLES K. WESTON.

CKW/S.

("Exhibit No. 839" appears in text on p. 2159)

("Exhibit No. 840" appears in text on p. 2160)

EXHIBIT No. 841

MAY 20TH, 1925.

Mr. FRANK S. BRIGHT,
Colorado Building, Washington, D.C.

DEAR MR. BRIGHT: We have just received a telegram from A. F. Stoeger, Inc., 224 East 42nd Street, New York, N.Y., reading as follows:

"Just received cable Geneva Conference declares contrary to American delegation views pistols and munitions between sixty-five and eight-five millimeters war implements (stop) This involves serious danger to international private trade. Suggest immediate urgent cables to American delegation, Geneva Hotel des Bergues, to insist on more favorable construction in final agreement."

Stoeger, I believe, is the agent in this country for Mauser and other German arms companies. I am not sure how much Mr. Stoeger knows about our preliminary conference and our recommendation to the American delegates. If the convention declared pistols and munitions between 6.5 and 8.5 m/m as war implements without any reservations it would probably be quite a blow to us.

By referring to the report that the committee of munition manufacturers in this country made to Secretary Hoover under date of April 14th, copy of which I sent you, you will note the recommendation in regard to article 1 referred to this matter of determining the military value by calibers.

This, we claim is practically impossible. If the conference has declared both pistols and cartridges between these calibers as military equipment under category 1, it would be a serious handicap to us in the sale of cartridges for these pistols, unless some reservation was made to the effect that it only included arms and cartridges specifically designed for warfare.

I am reluctant to follow the suggestion of the telegram that we cable direct to the commission. It seems to me that it would be policy to first learn, if possible, either through the Department of Commerce or direct from the State Department just what the action of the convention was, as they may have included some reservation, like the one above mentioned, which would protect us.

I would also like to get your opinion as to whether it would be advisable to send cables direct to the commission, or route them through one of the departments above mentioned.

Confidentially, I had a letter from Congressman Tilson giving me his Paris address and which I could make use of if necessity required, and I have reason to believe that he will act in an advisory capacity for the commission.

If it appears from what you are able to learn that it is important to cable, I am inclined to believe that I could get more action so far as our company is concerned by cabling him rather than the commission.

I will be obliged if you will write me fully at the earliest possible moment, and if you believe the emergency warrants, please telegraph me.

Yours very truly,

H. F. BEEBE,
Mgr. Foreign Department.

WRA:
HFB: ERJ-79

("Exhibit No. 842" appears in text on p. 2163)

("Exhibit No. 843" appears in text on p. 2164)

EXHIBIT NO. 844

WINCHESTER REPEATING ARMS CO.,
New Haven, Conn., May 25th, 1925.

Major AIKEN SIMONS,
% E. I. du Pont de Nemours & Co.,
Wilmington, Del.

DEAR MAJOR SIMONS: Acknowledging receipt of your letter of the 23rd, I agree with you that it is better to let the matter rest.

Touching the matter of the actual instructions given to the American delegates, I did not get quite the same slant on Mr. Turlington's attitude from the report of our representative as you do. In fact, I think his statement expresses pretty well the opinion I formed at our conference, namely, that instructions were drawn as closely as possible in harmony with our wishes, but with two or three exceptions, we were not told exactly what those instructions were.

Trusting that you will have a pleasant trip, I remain

Yours very truly,

H. F. BEEBE,
Mgr. Foreign Department.

WRA : HFB : ERJ–5

EXHIBIT NO. 845

HARRINGTON & RICHARDSON ARMS COMPANY,
FIREARMS MANUFACTURERS,
Worcester, Mass., U.S.A., May 26, 1925.

Mr. H. F. BEEBE,
% Winchester Repeating Arms Co.,
Foreign Department, New Haven, Conn.

DEAR SIR: Replying to your letter of the 25th, we are very pleased to have the information regarding the Secretary of State and the different departments, and we shall leave it entirely with you as to the desirability of going further in the matter.

We have great confidence in our representatives and the present Secretary of State, and really feel that ultimately there will be no result from the Geneva Conference.

Yours truly,

HARRINGTON & RICHARDSON ARMS COMPANY,
(Signed) JOHN W. HARRINGTON, *Treasurer.*

("Exhibit No. 846" appears in text on p. 2166)

("Exhibit No. 847" appears in text on p. 2166)

EXHIBIT NO. 848

[File MS–100–D]

AUGUST 13, 1925.

S–40—Washington, August 11, 1925.

Called on Col. Margetts, who advised me that he was leaving that day nominally for Paris but that his real destination was the French Army in Morocco.

At the request of Mr. Robinson, of the dyestuffs department, called on the Far Eastern section of the general staff, who advised me that Dairen was in the territory leased by Japan and, therefore, not affected by the Chinese Army Embargo. I then called on Mr. N. T. Johnson, of the Far Eastern Affairs Division of the Department of State, and was advised by him that since Dairen was under Japanese sovereignty and the picric acid on which we were asked to quote was nominally a dyestuff, that the State Department had no objections to offer to the shipment.

While in Mr. Johnson's office, Mr. Dulles, of the State Department, called me up on the telephone in reference to the Geneva Arms Conference and stated that the attitude of the State Department towards munitions manufacturers had undergone a decided change. This statement was also echoed by Mr. Johnson.

Through the kindness of Captain Jervey, Major Gray, of the Ordnance Department, secured for me the data on the ballistic coefficient of the 172-grain National Match bullet.

By appointment I went to meet Major Casey at the office of the Chief of Ordnance, but since General Williams was out of town we met General Ruggles, who advised us of the changed attitude of the State Department and stated that the formal permission to export munitions was required. The Government, by giving this permission, recognized that form of trade and must, therefore, give it the same support given to other forms of commerce.

The matter of the bronze to be used as a Wright memorial trophy was taken up with Major Wilhelm, who stated a decided preference for the Tiffany bronze known as "The Rising Sun" on the grounds that since Major Wright had lost his life in "forward-looking" experiments, it was more suitable to have the symbol of the rising sun rather than any of the other bronzes whose symbolism was that of the past.

Called on Admiral Bloch of the Bureau of Ordnance and showed him the letter from Cheney Brothers in regard to artificial silk, but found that Admiral Bloch had already been in direct contact with Mr. Cheney. Also discussed with Admiral Bloch the use of asbestos as a powder container. Admiral Bloch advised me that this was no novelty to the Bureau of Ordnance, since the matter had been considered before but dropped because of the cost of asbestos and the fact that it was necessary to mix a certain quantity of cotton yarn with asbestos fiber to give it the necessary grip to spin it.

By accident I ran into Lt. Thompson, U.S.N., who advised me that Comdr. Burns was on duty in the Fleet Training Office in the Bureau of Operations, U.S.N. Hence I called on Comdr. Burns who asked after all of his Wilmington friends and tried particularly to get in touch with Major Casey that afternoon.

Called on Major J. K. Crain, discussing with him the tetryl process, as used at Picatinny. It was his opinion that we should write Picatinny asking the details of this process. Also secured from General Ruggles, through Major Crain, formal permission to purchase 10 pounds of P.E.T.N. from Picatinny in case we should desire to do so. I outlined to Major Crain our intention to secure option on the land at Old Hickory containing the powder-making machinery, which the Government must dispose of. Major Crain will soon be relieved by Major Whelan, since he is to go to the War College, and upon graduation to Picatinny Arsenal as commanding officer.

Called on Mr. Michaelson (Major O'Shaughnessy's clerk) who advised me that Major O'Shaughnessy was on a motor trip through Maine and could not be located but would return shortly before September 1, and that nothing would be done about the disposal of the powder machinery at Old Hickory until Major O'Shaughnessy's return; that bids would not be called for by advertisement in the public prints, but instead circulars would be sent to three or four interested parties in order to secure the competition required by law.

Saw Col. Shaw and found out from him that the Government has some 25,000 rounds of 8 mm Lebel cartridges which can be sold to civilian marksmen in the United States, and that any failure to sell these cartridges heretofore was due to a misunderstanding of the requirements of the prospective purchaser.

It was learned that there is a strong rumor that Great Britain has secured a naval base at Constanza, on the Great Black Sea, about 125 miles east of Bucharest, Rumania.

U.S.S. *Reuben James* is now undergoing repairs at the Brooklyn Navy Yard and the new commanding officer is Comdr. Allan S. Farquhar. However, the executive officer is Lt. Samuel H. Hurt, as before.

Having received a telephone message to attend to other matters, I remained in Washington August 12 and secured from Lt. Samuel R. Shumaker, of the powder desk, Bureau of Ordnance, the elements of the 6-inch 53 and 8-inch 55 naval guns requested by Mr. Bradway.

An officer, who prefers not to be quoted, gave me some very interesting details of the Geneva Conference, which will be treated elsewhere.

Called on Comdr. E. E. Wilson on several times, but was unable to find him.

Called on Admiral Andrew T. Long, who had been at the Geneva Conference, who informed me that the attitude of the State Department towards munitions manufacturers is and must be radically different because of the action taken at the Geneva Conference. This is treated in detail elsewhere.

Called on Lt. Comdr. Edward L. Cochrane of the Bureau of Construction and Repair, U.S.N., and informed him of the tests recently made with detonators on steel plates covered with Duco, which demonstrated beyond all doubt that Duco would not be detonated by the impact or bursting of a shell. Comdr. Cochrane was very much interested in this matter and expressed his confidence that Duco was a safe covering for naval vessels.

Returned to Wilmington on the train with Major Gray, of the Ordnance Department, who advised me that he hoped to visit Brandywine Laboratory on Friday, August 14.

AIKEN SIMONS.

AS: LCH.

EXHIBIT No. 849

[File: MS-80-A. D-681]

AUGUST 17, 1925.

Attitude of U.S. State Department to American munition manufacturers

Colonel W. N. TAYLOR,
47 Avenue de l'Opera, Paris, France

DEAR SIR: 1. Most, if not all of the American delegates to the Geneva Conference held early this summer for the purpose of regulating international trade in munitions have now returned to the United States, and on recent visits to Washington, Major Casey and Major Simons have had opportunities to talk to Mr. Dulles, of the State Department; Admiral Long, of the Navy Department; General Ruggles, of the War Department; as well as several other officers who did not attend the Conference, who have considerable information which they have divulged on condition that they are not directly quoted.

2. The net result of this Conference does not appear to be disadvantageous to the munition manufacturers, since the new regulation requiring a formal permit to export munitions has had the effect of an official recognition of this trade by the U.S. State Department, so that they must hereafter give the same assistance and support to munition exporters as they would give to any other firms.

3. Mr. Dulles stated directly to Major Simons that the du Pont Company would find a changed attitude on the part of the State Department, and this information was also given to Major Casey by General Ruggles.

4. Admiral Long quoted a conversation which he had had with some State Department official, wherein the State Department official stated that he regarded the munition manufacturers as deserving the same support that was given to exporters of sewing machines.

5. It is understood, of course, that this Conference has no binding effect on the United States until confirmed by the U.S. Senate, which does not assemble until December and probably will not reach the point of taking action on this matter until next spring.

6. We understand further that the action of the chief of the American delegation, Mr. Burton, in regard to the prohibition of the use of poison gas was taken without consultation with the rest of the American delegation, and was regarded by the entire Conference as a magnificent gesture, the actual wording of the accepted protocol, leaving the nations at liberty to act pretty much as they see fit.

7. We do not contemplate taking the State Department any further into our confidence than usual, nor do we expect any great amount of aid from them, but all of the above information is given you for what it is worth.

8. Although we have read a copy of the final actions taken by this Conference, they are not at present for sale in the United States. We are informed that they can be had from Mr. Sweetzer (spelling not certain), who is a functionary of the League of Nations at Geneva, and no doubt can be had in Paris. If not too much trouble, will you secure us a copy of the protocol of the Geneva Conference.

Very truly yours,

K. K. V. CASEY, *Director.*

AS/h.

EXHIBIT NO. 850

[Written on the regular letterhead of the E. I. du Pont de Nemours & Company, Incorporated]

E. I. DU PONT DE NEMOURS & CO. INCORPORATED,
Wilmington, Delaware, August 27, 1925.

Military Sales Division—Personal.

H. F. BEEBE, Esq.,
Manager Foreign Department, Winchester Repeating Arms Co.,
New Haven, Conn.

MY DEAR MR. BEEBE: This is to acknowledge and thank you for your letter of the 26th attached to which was a copy of extracts from the final report on the "Conference for the supervision of the international trade in arms and ammunition and in implements of war."

When in Washington sometime ago, through the courtesy of Mr. Dulles, I had an opportunity to look over the report and to discuss it with Mr. Dulles and I do not believe that there is anything in the action taken at Geneva which will seriously interfere with the export business in munitions.

In fact, the action taken by the Department of State in identifying itself with this business has put the Department of State in the attitude of recognizing this as being in the same category with any other foreign commerce, or as one State Department official is said to have remarked, "the export of munitions is as reputable as the export of sewing machines."

When in Washington recently, several State Department officials, as well as officers in both branches of the service, informed me that the munition companies would find a marked change of attitude on the part of the State Department. Personally, I think that the Geneva conference has had a great educational value for our State Department, no small part of which is due to your skillful and untiring presentation of the facts before these officers sailed for Europe. It has been a great pleasure for me to work with you in this matter and a greater pleasure still to compliment you on the results which you obtained.

Sincerely,

(Signed) AIKEN SIMONS.

AS: LCM.

EXHIBIT NO. 851

WINCHESTER REPEATING ARMS CO.,
New Haven, Conn., August 28, 1925.

Major AIKEN SIMONS,
% E. I. du Pont de Nemours & Co., Wilmington, Delaware.

MY DEAR MAJOR: Acknowledging receipt of your letter of the 27th, I take the opportunity to thank you for the additional information you have given me and also for your kind words in reference to the part that I had in the matter.

I will admit that I worked hard, but can assure you that any success that attended our efforts are due quite as much to you and my associates on the committee.

With kind regards,

Yours very truly,

H. F. BEEBE,
Mgr. Foreign Department.

HFB: MR.

EXHIBIT NO. 852

[File MS-80-A. T-538]

OCTOBER 13TH, 1925.

General European business.

Mr. K. K. V. CASEY,
E. I. du Pont de Nemours & Co., Wilmington, Del.

DEAR SIR: 1. I had a long talk with Mr. Van Veen who is leaving for America. We discussed the question of credit for Poland as his main business for going to America is to induce Bethlehem to extend liberal credit to Poland to enable them to buy American goods.

2. My conversation with him about Poland was along the lines given in par. 21 of letter T–535. We went a little further in our conversation and discussed at very great length the possibilities of future sales in Europe. It seems evident to both of us that the time has come for an American military business in Europe which depends upon loans and financial considerations and that if we had some way of going about it in a big manner and of making substantial loans to these countries in the form of four- or five-year loans we could probably sell a great deal of American goods. The demands are quite large and up to the present time the orders have all been placed in France due to the fact that the French Government has loaned money to these different nations permitting them to sell goods to these people and the French Government financed them. That is the principal reason why outside nations like America and England have not sold much goods. These French credits are coming to an end and these foreign countries are searching around to find some way of financing further military purchases and now that the Conference of Geneva has more or less legalized the sale of American military goods abroad it seems to me well worth while to consider the possibility of American munition people getting together and making loans to these countries for substantial orders. The possibilities for big sales lies only along those lines.

3. The way to do this might be to establish a sort of financing company which will finance loans and which will arrange the conditions of loans to the different war departments with provisions that these loans will be spent in purchases from a definite list of American companies, each company to handle its own sales and its own technical difficulties and this holding company or financing company to handle the question of negotiating the loans and collecting payments.

4. It seems to me this is the only way we are going to get anywhere other than selling occasional small orders. If we are to begin such a thing it ought to be begun pretty soon and in any case I beg you to listen carefully to what Van Veen has to say and think this matter over.

5. As for the details for getting up such a company, I think it should be a Webb law company incorporated in America with a dead-head office in America and its active seat in Europe. It would be a very inexpensive organization consisting of very few people other than the board of directors which represent the different companies involved—this holding company to go to these ministers and make loans and negotiate the terms of the loans and let the foreign countries purchase under the provisions of these loans according to their different needs—this holding company to act very much as the French Government does for the French manufacturers, each manufacturer to keep his own agent, make his own prices, handle his own commissions on his own goods.

6. The countries that at present would be willing to undertake loans of let us say $5,000,000 to $10,000,000 a piece would be: Poland, Czechoslavakia, Greece, Roumania, Norway, Denmark, Finland. If such a thing were properly organized it seems possible that within two years we could develop orders in Europe around $40,000,000 worth of material.

Yours very truly, William N. Taylor.

WNT/MG

*P. S.—I have an idea that there are plenty of banks that would put up the money if the total were big enough.

W. N. Taylor.

Exhibit No. 853

[From New York Times, Nov. 22, 1934. Wireless to the New York Times]

REICH WAR PLANES HELD BETTER THAN FRENCH;—DENAIN ASKS A HUGE NEW AIR FUND IN PARIS

Paris, Nov. 21.—Although France is stronger in aviation than Germany, the Reich's newly built, "war planes" are faster and more modern than those of France, General Victor Denain, the Air Minister, told the aeronautics committee of the Chamber of Deputies.

He was asking for special credit facillties that would give 3,500,000,000 francs for France's air program in addition to the 2,500,000,000 in the regular budget. With these additional resources, General Denain said, his Ministry could

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* Pencil marking.

easily keep pace with the German building program and oppose the Reich air force with effectives superior in numbers and equal in speed and efficiency.

He declared that, despite sensational rumors of Germany's arming in the air, there was no reason to exaggerate them. He estimated that at the beginning of next year Germany would have all told 1,000 military airplanes.

According to the French Air Ministry, up to the beginning of the present year Germany possessed only commercial planes.

General Denain did not discuss whether these planes were convertible for use in fighting, but said that they could be used for military transportation. He asserted that Hermann Wilhelm Goering, the Reich Air Minister, had made important progress this year in developing strictly military aviation and that Germany must now be reckoned among the countries possessing a modern and highly developed military air force. The Reich, during the past few months, has built many pursuit and fighting planes and has made no effort to conceal that fact he added. As yet, he said, this aviation is important only because the planes are of a modern type and all new.

A group of French experts recently returned from the United States to report on American methods of construction.

[By the Associated Press]

PARIS, November 21.—So impressed was the Chamber of Deputies Army committee by Leon Archimbaud's report Monday on German rearmament that it decided today to ask the chamber to restore the 380,000,000 francs that had been cut out of the regular forfications budget.

EXHIBIT No. 854

[File: MS-80-A—T. 264]

47 AVENUE DE L'OPERA, PARIS 2, *April 22nd, 1924.*

Major K. K. V. CASEY,
E. I. du Pont de Nemours & Co., Wilmington, Del.

DEAR SIR: In continuation of my letter to you, No. T. 252, of March 25th, regarding the situation in Europe, the following facts have been developed during my recent trip through central Europe:

That the English attempt to develop the European monopoly in military material, in which they are to have a large interest through their financial assistance, is meeting with certain difficulties.

In the first place, the control is slowly passing into German hands, although all the English munition manufactures are working together. The results of the extension of the German group, which is also incidentally a Jewish group, has been causing considerable anxiety in the different war departments. I have recently seen a confidential report of the European war departments in which a complete list of the companies which are working in agreement regarding the supply of military material to Europe and the names of various personalities who have conducted the negotiations are given, and which contains photographs of letters, etc. . . I was not allowed to read this report entirely, but I know that it was compiled in common by a number of war departments. The conclusion of this report is that a German-English group, mainly Jews, are endeavoring to get the military supplies in Europe into their hands, in the hope of making a large profit through the future reequipment of the European armies, which sooner or later must take place, and, in connection with this, orders have been sent out directing the purchasing departments to avoid all dealings with members of this group in the interest of national defence. In Czecho-Slovakia this has resulted in considerable strain in the interior of the Czecho-Slovak Explosives, Ltd., the Czecho-Slovak group now endeavoring to get rid of foreign participation in their capital.

I conclude from this that we should remain absolutely apart in any connections with the people of this group, as it would be considered as an interference by us in European affairs, and also probably shut us off from possible business. I note that Armstrong, Vickers, Nobels, Schneider are on the list; Saint Chamond and ourselves are not.

Any agreement on our part with this group would be a virtual agreement with the German group.

Yours very truly, WILLIAM N. TAYLOR.

EXHIBIT NO. 855

Military Sales in Foreign Countries APRIL 14, 1924.

A. FELIX DU PONT, *Gen'l Mgr.*

After having made a very careful analysis of all the data in our files on the Nobel agreement, and a thorough study of competition which we have experienced in foreign countries, particularly in Europe during the past three years. I feel that it is in order for me to present to you my recommendations, to which I hope you will give due consideration in discussing military business with Nobel officials. My recommendations are as follows:

1. That military propellants and explosives be specifically exempted from the patents and secret process agreement in the same way as in the case of the South American pool agreement.
2. That the temporary arrangement regarding Argentine and other South American military business be terminated as of July 1, 1924.
3. That the arrangement for joint construction of plants in foreign countries for military material be discontinued.
4. That no agreement be made with Nobel whereby we will refrain from endeavoring to sell military products in any foreign country.
5. That no agreements be entered into with any manufacturer for the exchange of information on military propellants or explosives.
6. That no information be exchanged concerning prices of military propellants or explosives and that no division of profits be made on military business.

My reasons for making the above recommendations are as follows:

Our competitors in Europe on military business are German, Italian, and French interests, the most successful competitors being the Germans. If we were to refrain from soliciting military business abroad, we would leave the field free for a German, French, and Italian monopoly, because Great Britain's position in European politics is such than an English concern would find it very difficult to secure business. It is very doubtful as to whether Nobel could hold the customers which we have gotten to date among the European nations. Our success in securing business is mainly due to the fact that we are an American concern whose products enjoy an excellent reputation. In Europe, the prestige of the name du Pont was established through our military powder manufacture during the late war, and it is only natural that we are looked upon as a source of supply, particularly by European states which do not manufacture their own requirements.

We cannot act in good faith with our Government if we contract to exchange information on military propellants with a foreign concern. Both the Army and Navy have indicated that they are desirous of keeping secret development work which we may do for them. If we were to agree to exchange information with any foreign firm and at the same time accept help in selling powder abroad from our own Army and Navy, we would create a condition which would at some time or other bring discredit upon us.

It is probable that in the next few years Congress will fully investigate all war contracts and particularly the construction of Old Hickory. Such an investigation will bring about the scrutiny of our military sales in general. If Congress were to ascertain that the Army and Navy both helped du Pont in securing military business from abroad and if it could be shown that the du Pont Company had a working agreement with a foreign powder manufacturer, the conclusion could be drawn that the du Pont Company was acting in bad faith with our own Government. Congress would have an opportunity to brand us traitors.

We have been successful in securing military business in foreign countries without a price-fixing agreement with any of our competitors. We have frequently been able to secure business although our quotations were higher than competitors. This was probably due to the fact that the customer decided to develop a source of military supply in America and our prestige and reputation enabled us to get the business. Even with unfavorable foreign exchange rates we are competing with foreign concerns on newly made powder. When the exchange rates improve we will undoubtedly be placed in a more favorable position. Therefore, in competing for foreign business, success will come to the firm which can make the best product and which enjoys the best reputation. The neutrality of America in European politics, and America as an abundant supply of raw materials are factors which enable an American concern to secure foreign military business.

K. K. V. CASEY, *Director.*

EXHIBIT No. 856

[File: MS-80-A. T-753]

47, AVENUE DE L'OPERA—PARIS 2.

Turkey. *October 7th, 1926.*

Major K. K. V. CASEY,
E. I. du Pont de Nemours & Co.,
Wilmington, Delaware.

DEAR SIR: 1. We have been carrying a prospect for 120 tons of rifle powder for Turkey. You may drop off this prospect.

2. What happened is this: The Turks gave the cartridge order to an Austrian company, the name of which I forgot, but which I will try to get again. This company distributed the order, having the cartridges manufactured in Austria and the powder in Germany, by Koln Rottweiler. The powder and the cartridges are to be shipped to Holland where they will be assembled and the delivery made from Holland. So we have lost this business to the Germans!!!

3. This is a violation of the Treaty of Versailles and of the Treaty of Trianon and is the first indication of Rottweiler entering the military powder export business since the war.

4. Another similar violation was the placing by Turkey of an order for 400 tons of TNT with Philipp in Austria. During the month of September, Philipp placed this order on Nobel's England, at 62 cents per kilo.

5. These two actions have caused considerable disturbance in the minds of the arms manufacturers. This news has only come out within the last two weeks.

6. General O. Husak, representative of the Czechoslovakian Company, came to see me about this and is very anxious that we take some action to have a stop put to this by the military control commission. He says that if we allow this thing to go on, before we know it, the Germans and Austrians will be back on the business.

7. Unfortunately, the United States not being signatory to these treaties, we can do nothing.

8. The proper people to take it up are Nobel's, but Husak says that he was informed that the German powder people felt that the only people that could do anything against them in this matter were the English, and that their relations with Nobel were so good that Nobel would take no steps to stop them.

9. However, the French manufacturers are quite vexed by this matter and then can undoubtedly do something.

10. According to the Treaty of Versailles, Germany is limited to an army of a certain specified size, until such time as she is admitted to the League of Nations; after having been admitted to the League of Nations, she agrees to maintaining the same sized army, until permitted to increase it by the Council of the League.

11. Germany agrees not to manufacture military material for export, until permitted to by the Council of the League of Nations. Germany is now a member of the League of Nations and in the opinion of observers at Geneva, Germany is expected to start to raise this question very soon. Feelers have already been put out by Germany as to the attitude of the League Council.

12. Therefore the matter of Germany entering in the armament export business is a very live question, and the manufacturers of military material should immediately develop a common policy on that matter.

13. Discussion on this subject has begun, and I would like to have your opinion as to how far I can go, considering the fact that the United States are not a member of the League of Nations and that our company and Nobel, Ltd., have commercial relations with the German explosives manufacturers.

14. I am going to talk to Nobel about it in England next week. I do not know all the details of Nobel's arrangement with the Hamburg Nobel Dynamite Company. We have also been in relation with them through Nobel and our London office, but I think it will be a great shame if our industrial relations with the German explosive industry were of such a type that we would wink at their violation of the treaties or permit them to enter the military export business. I will keep in touch with this matter and inform you further.

Very truly yours,

WILLIAM N. TAYLOR.

WNTRB

EXHIBIT 857

[File: MS-80-A. D-998]

NOVEMBER 5, 1926.

Competition—Turkish business

Col. W. N. TAYLOR,
47 Avenue de l'Opera, Paris, France.

DEAR SIR: 1. Your letter, T-753, dated October 7, 1926.

2. It is noted that the Turks placed an order for small-arms ammunition with an Austrian company, the name of which you will endeavor to furnish at a later date, and that the Austrian company distributed the order, the cartridge components being manufactured by Austrian companies and the powder by Koln Rottweiler. Further, that the powder and cartridges are to be shipped to Holland, where they will be assembled and delivered from Holland as finished ammunition. Also that Turkey placed an order for 400 tons of TNT with Philipp in Austria, and that Philipp in turn placed this order with Nobel at a price of 62¢ per kilo.

3. It is plainly evident that the Germans enjoy a great deal of prestige with the Turks, and there is no question but what we can expect active competition from Koln Rottweiler and other German concerns on military requirements of European nations. This competition is bound to show itself either directly or indirectly.

4. There is no question but what the Germans are openly violating the Treaty of Versailles, and in order to be successful in accomplishing this, it is essential for them to have the support of some European powder or ammunition manufacturer. The facts related by you are interesting and annoying, but we as a company can do very little or even complain of the procedure of the Germans. It is quite improbable that the U.S. Government would take any recognition of the fact that German powder companies were again prominent in endeavoring to take contracts for European military requirements. You are quite correct in your analysis of the situation. We believe Nobel could actually prevent Koln Rottweiler or other German concerns from entering the military powder business, providing they saw fit to bring pressure to bear through English Government channels.

On the other hand, the French Government is more concerned in keeping the Germans out of the military game than is any other foreign government, and it would seem to us that the Government of France should take a very active interest in having Germany brought to task through the League of Nations.

5. We think it would be well for you to discuss this subject with Nobel and see if you can determine the exact position taken by them. This probably will prove a difficult task because certain things which have developed in connection with prospective business in Argentina leads us to believe that the activities of Koln Rottweiler have the approval of the Nobel Company. Our conclusion is based upon the following facts in connection with the Argentine project:

6. You are familiar with the Du Pont-Nobel negotiations in Argentina that cover a period of 6 or 7 years. During that time we have presented a joint proposal from year to year on the construction and operation of a military powder factory which finally would be turned over to the Argentine Government. Several European firms from time to time have bid on this project. We believe the European competition has been indirectly from Koln Rottweiler. Under date of September 30, 1926, Nobel of London wrote to Nobel of New York as follows:

7. "We had occasion this morning to see Mr. Marquardt of the Hamburg Co., who tentatively put forward the suggestion of the Koln-Rottweil Co. cooperating with Nobel and Du Pont in the submission of a tender for this scheme. As you know, the Koln-Rottweil Co. have been interested in the Argentine powder-factory proposition from the outset, being represented in Buenos Aires by Retienne. Mr. Marquardt did not put this proposal forward as an official one, for the reason that he is not sufficiently acquainted with the terms of the Koln-Rottweil Co.'s representation by Retienne, and is consequently not aware whether his proposal could be given effect to. Meantime, however, we should appreciate the Du Pont Co.'s opinion as to whether, in principle, they would agree to the Koln-Rottweil Co. joining us. We, on our part, can see no objection, one of its advantages being the elimination of one competitor, leaving only Bofors Nobelkrut in the field against us. Mr. Mar-

quardt has undertaken to let us know whether Koln-Rottweil's relations with Retienne would permit the former cooperating with us. What do you think of the idea of bringing in the Koln-Rottweil people?"

8. Mr. White, of Nobel, came to Wilmington and discussed the above matter, and he was advised that we saw no reason in the world for bringing Koln-Rottweiler into the proposition. We turned down the suggestion very flatly for the reason that we could see no way in which a profit would accrue to us by letting the Germans help us build and operate the plant. From Mr. White's remarks we understood that Nobel was quite anxious to kill all competition in Argentina and therefore make sure of getting the contract. The Turkish proposition leads us to believe that Nobel perhaps wanted to do more than kill competition in Argentina. It would appear that perhaps they desired to reciprocate and insure Koln-Rottweiler getting business in South America in return for such business as Koln-Rottweiler might have given Nobel abroad. The Koln-Rottweiler-Nobel conection seems a bit unwholesome to us so far as military powder is concerned, and we therefore suggest that you handle the matter with the utmost diplomacy and make every effort to ascertain whether Koln-Rottweiler and Nobel have an agreement on military sales and in what countries the agreement may be operative. We feel that you will have to be very tactful in acquiring definite information on this subject, and we will therefore leave it to your good judgment as to the best course to pursue.

Very truly yours,

K. K. V. Casey, *Director.*

WHO/G : N

Exhibit No. 858

[84–Holland Gov't. Ms–80–A. T–1753]

October 28th, 1929.

Reorganization of Hollandsche Industrie and Handelmaatschappij.

Major K. K. V. Casey,
E. I. du Pont de Nemours & Co.,
Wilmington, Delaware, U. S. A.

Dear Sir: 1. I have been busily pursuing the collecting of information necessary to give us a judgment on this matter.

2. To summarize what has happened: On October 3rd, Mr. W. H. O'Gorman and myself visited Mr. Eltze, Managing Director of the Rheinische Metallwaaren und Maschinenfabrik at Dusseldorf.

3. At that time Mr. Eltze proposed that the Rheinische Metallwaaren & Mashinenfabrik, Mr. Van Beuningen, General Director of the Coal Concern of Amsterdam and 100% owner of P. Smit & Co., and du Pont de Nemours secure the stocks of the Hollandsche Industrie & Handelmaatschappij and form a company, of which each one would own one-third. Mr. Eltze's proposal was based on the fact that the Rheinische Metallwaaren und Maschinefabrik own 112 shares and Vlessing & Co. own 88 shares. Mt. Eltze said that these shares could be bought for 20,000 guilders apiece, and his proposal implies that Van Beuningen and du Pont put up cash to [*buy] 67 shares each, or 1,340,000 guilders each, that is, the 88 shares belonging to Vlessing & Co. plus 46 shares of the 112 shares belonging to Rheinische Metallwaaren & Maschinenfabrik. Mr. Eltze would then bring into the new company the remaining 66 shares belonging to the Rheinische Metallwaaren & Maschinenfabrik.

4. Such an arrangement would, of course, be very excellent for the Rheinische Metallwaaren & Maschinenfabrik.

5. Since this visit I proceeded to Berlin and secured a list of the guns already manufactured by the Rheinische Metallwaaren & Maschinenfabrik for the German Government and accepted by them, those not yet accepted by them, and guns of which drawings are made but for which no pilot mounts have been completed.

This list I will send in detail later on. For the moment it is sufficient to say that the guns already manufactured range from the semiautomatic rifle to the 105 mountain howitzer. The guns on paper include corps and army guns.

6. I also secured indications on where to find all legal information covering the possibility of Germany making a legal contract for the sale of military

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* Pencil marking.

designs to a neutral country. I am told that the legal aspect of this matter is doubtful, but that in the case of the arrangement between the Rheinische Metallwaaren und Maschinenfabrik and the factory at Soleure, Switzerland, contracts were made; probably this constitutes a precedent. This matter I am getting up in a separate report, but it will take some time, as it will be difficult to find some of the documents.

7. I then had another conversation with Eltze, a conversation with Van Beuningen, and a conservation with Eltze and Van Beuningen together. Both these gentlemen wanted to know how far du Pont was interested. I told them that du Pont was interested entirely in securing a certain amount of guaranteed powder orders; the amount of money we would put up would depend upon the amount of orders. They both obviously wanted me to commit myself as to the amount of money we would put up, and they asked me how soon I would get a decision from du Pont regarding this sum and on what basis. I informed them that I could tell them immediately that the basis on which du Pont would come in would only be on receiving the guaranteed powder orders, and when I could find out how much powder orders they could place, I would tell them the amount of money we would put up. They both declared it was impossible to know how much powder would be required. Van Beuningen said that this whole matter concerned Eltze and not du Pont and P. Smit & Co., and that it was up to Eltze to get and procure the shares from Vlessing and bring them to Van Beuningen and du Pont, and then we could talk business. Van Beuningen said it was not our business to buy these shares; Eltze brings in the shares; he will consolidate the Hollandsche Industrie & Handelmaatschappij with P. Smit & Co., and then make a separate arrangement with du Pont regarding powder orders.

8. Eltze declared that on that basis he would not consider the proposition at all, and after a rather stormy debate, in which Eltze wanted Van Beuningen and du Pont to pay all the cash, it was obvious that Van Beuningen would not take any steps until Eltze had acquired the shares. I joined with Van Beuningen's point of view, and the meeting broke up with the declaration that nothing could be done.

9. I saw Van Beuningen after this meeting. Van Beuningen said, "Don't you worry; in two weeks Eltze will be back with something new."

10. I then went to Amsterdam. Had a talk with the May Brothers of Lippmann, Rosenthal & Co., to whom Morgan & Co. of Paris had referred me for information, on the basis that on a matter of this kind in Europe only verbal information was any good, and that a bank would not write serious information. They gave me very bad credit information on Vlessing & Co.; they said that Vlessing was absolutely unreliable in every way. They informed me that Van Beuningen was exceedingly well off financially and had a very high credit, but that one must be careful in dealing with him, as he has a tendency to be a bit unscrupulous; that Eltze was exceedingly competent but would use any means to get his aim, and that they are people who must be dealt with very carefully. Furthermore, the Rheinische Metallwaaren & Maschinenfabrik was in a exceedingly bad financial position but would be kept going by the Reich Credit Bank. It was also their opinion that Vlessing & Co. would not fail and would probably get through the bad moments that they were in.

11. They suggested that if we wanted to get a hold on this firm we should buy from the Dutch Bank for Mediterranean the debt of Hollandsche Industrie & Handelmaatschappij, which amounts to 500,000 guilders, or $240,000. This debt is guaranteed by a mortgage on machinery and unfinished material, and if we buy this debt, which we might be able to get for $200,000, we should become masters of the situation, whether the company is owned by Vlessing or by Eltze.

12. I then went to The Hague, where I ascertained for the 3,000,000 guilders worth of Government orders, which the Hollandsche Industrie & Handelmaatschappij can reasonably expect each year, that there is no ammunition included, all the ammunition being made by the Government itself.

13. While at The Hague I met Mr. Vlessing and Mr. Diederix. We had a long conversation on nebulous subjects, during which Vlessing said, "If you want powder business in Holland, make an arrangement with Nederlandsche Springstoffenfabrieken at Muiden; induce the Government through Muiden to buy out Eltze. If you want to do this, I could arrange everything for you in 24 hours." This was a typical Vlessing proposition. However, I ascertained from the inspector general of artillery that the war department had irrevocably decided not to take any participation in industrial activities, military or otherwise, and that such a proposition of Vlessing was absolutely unrealizable.

14. I am now getting together as much details as possible to support this report, which I will forward as soon as completed; but my impression is that the bulk business of Hollandsche Industrie & Handelmaatschappij would be from the Dutch Government and that there will be no ammunition orders in it at all, and that the amount of business they could get outside is limited by the fact that most of the countries now in the market for ordnance can only buy it through foreign loans, and that most of these loans are made by the French; therefore, when in any of these countries there is an offer by any other concern, the French goods are chosen on account of the loans.

15. Eltze, Van Beuningen, and myself, in guessing independently, stated that all which could be expected outside of Holland would be 1,500,000 ordnance a year. If this amount of 1,500,000 a year is for guns and 500 rounds a piece, it ought not to average more than 30,000 rounds a year, or an average of 30 tons of powder. For 30 tons of powder a year for 10 years, it is not reasonable for us to make an investment of more than 25,000.

16. As the matter now stands, either Eltze must buy out Vlessing & Co., or Vlessing & Co. must buy out Eltze; in the meantime we must keep friends with them all and try to get such business as turns up. I shall, of course, not let this matter drop and will continue to get all information bearing on the subject.

Very truly yours,

WNT/NS

William N. Taylor.

("Exhibit No. 859" appears in text on p. 2193)

Balance of campaign contributions of du Pont directors and officers. (For first record see Pt. V, p. 1403):

Political Contributions by Henry B. du Pont, Wilmington, Del., 1919–1934

1919–1927: No contributions.	
1928: Republican finance committee	$500
1929: No contributions.	
1930: Delaware State Republican Committee	200
1931: No contributions.	
1932:	
New Jersey political fund	400
Better Government League (Delaware)	2, 600
Republican Radio League	100
1933: Better Government League (Delaware)	500
1934:	
National Republican Committee	1, 000
Delaware State Republican Committee	2, 000
Henry Breckenridge campaign	200
	$7, 500

E. I. du Pont de Nemours & Co., Inc.,
Wilmington, Del., December 5, 1934.

Stephen Raushenbush,
Secretary Special Committee Investigating
the Munitions Industry,
United States Senate, Washington, D. C.

Dear Sir: In reference to your letter of November 20, 1934, written to E. I. du Pont de Nemours & Co. requesting the amount of campaign contributions made by all the officers and directors of the company, during the years 1919 to 1934, inclusive, I beg to advise that my only contribution during that period was $100 to the Republican Party in 1928.

Sincerely yours,

A. D. Chambers,
Manager, Dyestuffs Division.

E. I. du Pont de Nemours & Co., Inc.,
Wilmington, Del., December 5, 1934.

Stephen Raushenbush,
Secretary Special Committee Investigating the Munitions Industry,
United States Senate, Washington, D. C.

Dear Sir: I refer to your letter of November 20 to E. I. du Pont de Nemours & Co.

During the period 1919–34, inclusive, I have made no contribution to any political campaigns.

Yours very truly,

A. R. Chantler,
Director of sales, dyestuffs division.

J. P. Laffey,
Wilmington, Del., December 14, 1934.

Stephen Raushenbush,
Secretary Special Committee Investigating Munitions Industry,
Washington, D. C.

Sir: In response to your request, through E. I. du Pont de Nemours & Co., that the officers and directors of that company furnish your committee with a list of their personal campaign contributions to political parties for the period 1919 to date, and for a list of stockholdings in companies other than E. I. du Pont de Nemours & Co. from 1925 to date, I submit the following:

CAMPAIGN CONTRIBUTIONS

Year 1922, to Republican campaign	$10,200.00

STOCKHOLDINGS IN COMPANIES OTHER THAN E. I. DU PONT DE NEMOURS & CO., 1925–34

Security:	Maximum number of shares held during period
Christiana Securities Co	1,325 shares preferred.
Do	1,000 shares common.
Standard Oil Co. of New Jersey	2,000 shares 7 percent preferred.
Do	2,500 shares 5 percent preferred.
Do	8,330 shares common.
Atlans Powder Co	300 shares common.
Standard Oil Co. of New Jersey	1,200 shares preferred.
Fisher Body of Ohio	400 shares preferred.
Pennsylvania Railroad Co	3,418 shares.
Pennroad Corporation	1,519 voting trust certificates.
Cities Service Co	1,507 preferred.
Electric Bond & Share Corporation	1,000 shares preferred.
Du Pont Rayon Co	500 shares preferred.
Prudential Investors, Inc	500 shares common.
Kennecott Copper Co	550 shares.
Anaconda Copper Co	450 shares.
Warner Brothers Pictures, Inc	418 shares common.
Artesian Water Co	1,000 shares preferred.
J. C. Penney Co	300 shares common.
A. T. & T. Co	300 shares.
R. J. Reynolds Tob. Co	300 shares B.
Wilmington Trust Co	200 shares.
Sullivan Machinery Co	319 shares
Mohawk Mining Co	325 shares.
National Biscuit Co	600 shares.

The above represents the maximum number of shares in each corporation owned by me during the period, but does not mean that these shares are held by me at the present time.

Yours very truly,

J. P. Laffey.

H. FLETCHER BROWN,
Wilmington, Del., December 18, 1934.

STEPHEN RAUSHENBUSH, *Secretary,*
Washington, D. C.

DEAR SIR: Referring to your letter of the 20th ult. addressed to E. I. duPont de Nemours & Co., I advise you that all of my national campaign contributions were made to the Republican committee, as follows: 1930, $500; and 1934, $1,200.

The list of other companies, than du Pont and Christiana securities, in which I have stock holdings in amounts of $10,000 and over at the present time is as follows:

American Tobacco Co., common.
Chesapeake & Ohio Railway Co.
Delaware & Hudson Co.
Electric Bond & Share, $6 preferred.
Equitable Office Building, common.
General Motors, common.
Incorporated Investors, $5 par value trust certificates.
Mathieson Alkali Works.
Ohio Edison, $6 preferred.
Representative Trust Shares, Inc.
St. Regis Paper, preferred.
Union Pacific Railroad, common.
U. S. Steel, preferred.
Warner Company.
Wawaset Securities Co.
Westinghouse Electric & Mfg. Co.

This list is typical of my holdings in previous years.

Very truly yours,

H. FLETCHER BROWN.

DONALDSON BROWN,
New York, N. Y., December 19, 1934.

STEPHEN RAUSHENBUSH,
Secretary Special Committee Investigating the Munitions Industry,
United States Senate.

DEAR SIR: I have been notified by E. I. du Pont de Nemours & Co., of which I am a director, of your request for information as to my personal contributions to political campaign funds and also my holdings of stocks of munitions companies.

The following is a list of my contributions to political campaign funds during the years 1919 to 1934 inclusive: 10/17/24, Republican National Committee, $500 and 9/7/28, Republican National Committee, $5,000.

Following is a list of munitions companies whose stock I held during the years 1925 to 1934 inclusive, the number of shares indicated being the maximum number of shares held at any one time during the period:

	Shares
E. I. du Pont de Nemours & Co	13,500
Hercules Powder Co	2,000
Bethlehem Steel Co	1,500

Yours very truly,

D. BROWN.

H. M. PIERCE,
Wilmington, Del., December 20, 1934.

STEPHEN RAUSHENBUSH, Secretary.

DEAR SIR: My contribution, for political campaigns have been relatively small and I have not kept any record of same. At least I cannot find any record at this time.

They consisted of $2,000 contributed to the State chairman in the early twenties. I understand part went to State and a larger part to the national committee. There were, as far as I can recollect, two other contributions of $500 each. Sorry I cannot give more definite information.

Replying to your letter of November 20 to E. I. du Pont de Nemours & Co., I held during the period mentioned the following investment securities in other companies than du Pont Co.:

4,000 shares General Motors debenture.
4,500 shares U. S. Steel common.
500 shares Baldwin Locomotive preferred.
400 shares Crucible Steel preferred.
Varying amounts of Equitable Office Bldg. common up to 15,000 shares at one time.

Yours very truly,

H. M. PIERCE.

EMPIRE STATE,
New York City, December 21, 1934.

Hon. STEPHEN RAUSHENBUSH,
Secretary Special Committee Investigating the Munitions Industry,
Washington, D. C.

DEAR SIR: The du Pont Co. advises me that you have requested a statement with respect to campaign contributions from 1919 to 1934 made by directors of that company, of which I am one.

I have no record of contributions made previous to 1922, but my total campaign contributions, both State and national, since that time are as follows:

1922	$1,750.00
1923	14,000.00
1924	*5,000.00
1925	0.00
1926	10,000.00
1927	5,000.00
1928	249,500.00
1929	181,800.00
1930	41,171.35
1931	0.00
1932	128,000.00
1933	100.00
1934	1,200.00

All of the above contributions were for the account of the Democratic Party, except the following: $750 in 1922 was for the account of the Republican Party and $1,000 in 1922 I cannot identify from my records. The $14,000 in 1923 was for Senator T. Coleman du Pont's campaign in the State of Delaware, and in 1924 I contributed $5,000* to the Republican campaign.

Sincerely yours,

JOHN J. RASKOB.

E. I. DU PONT DE NEMOURS & CO., INC.,
Wilmington, Del., December 31, 1934.

STEPHEN RAUSHENBUSH,
Secretary Special Committee of United States Senate
Investigating the Munitions Industry, Washington, D. C.

DEAR MR. RAUSHENBUSH: In response to your letter of November 20, addressed to E. I. du Pont de Nemours & Co., I submit the following information concerning myself as an officer of the company:

1. Campaign contributions, 1919 to 1934, inclusive: The only political campaign contribution of which I have any record is a contribution of $50 in 1934 to the Republican State Committee of Delaware.

2. Stockholdings in other companies: The maximum number of shares of stock in companies other than E. I. du Pont de Nemours & Co., valued in excess of $10,000 which I held at any time during the years 1925 to 1934, inclusive, was as follows:

100 shares General Motors Corporation preferred stock.
800 shares General Motors Corporation common stock.
100 shares Bethlehem Steel Corporation preferred stock.
50 shares Wilmington Trust Co. stock.
300 shares Equitable Office Building Corporation common stock.

Very truly yours,

J. B. ELIASON, *Treasurer.*

MUNITIONS INDUSTRY

HEARINGS

BEFORE THE

SPECIAL COMMITTEE
INVESTIGATING THE MUNITIONS INDUSTRY
UNITED STATES SENATE

SEVENTY-THIRD CONGRESS

PURSUANT TO

S. Res. 206

A RESOLUTION TO MAKE CERTAIN INVESTIGATIONS
CONCERNING THE MANUFACTURE AND SALE
OF ARMS AND OTHER WAR MUNITIONS

PART 10

DECEMBER 5 AND 6, 1934

EMBARGOES

Printed for the use of the
Special Committee Investigating the Munitions Industry

UNITED STATES
GOVERNMENT PRINTING OFFICE
WASHINGTON : 1935

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SPECIAL COMMITTEE INVESTIGATING THE MUNITIONS INDUSTRY

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INVESTIGATION OF MUNITIONS INDUSTRY

WEDNESDAY, DECEMBER 5, 1934

United States Senate,
Special Committee to Investigate
the Munitions Industry,
Washington, D. C.

The hearing continued in the Finance Committee Room, Senate Office Building, Senator Arthur H. Vandenberg, presiding.

Present: Senators Vandenberg, Barbour, George, Clark, Pope.

Present also: Stephen Raushenbush, secretary to the committee.

At this point the committee concluded that part of the testimony which is incorporated in Part IX of these hearings, " International Munitions Control."

TESTIMONY OF K. K. V. CASEY AND IRÉNÉE DU PONT—Resumed

CHINESE ARMS EMBARGO

Senator Clark. Now, if you gentlemen have any more statements that you would like to read, we would be glad to have them before the business of the afternoon starts.

From many explanations contained in the correspondence before this committee, and also from statements made before us, the claim is put forth that foreign sales of American munitions helps American national defense. The basic theories are, I believe, first, that the money received from foreign orders keeps our armament factories in operation and their personnel trained in the business of making munitions; and second, that through competition with foreign products, we are able to determine whether our own products and developments are equal in destructive or defensive efficiency to the munitions of other nations.

Conceding for the moment that in certain types of foreign selling this is true, let us examine the proposition on several grounds. First, at what price are these results obtained? The portion of the inquiry that we are now entering is concerned with China in the period of 1919 to date. The examination of this history is made from the standpoint of the price paid for national preparedness obtained through selling munitions to China.

Then I would like to read for the record a statement obtained from the State Department as to the state of embargo regulations, from 1917 to date [reading]:

> From June 15, 1917, to March 3, 1921, the shipment of arms to China was in the hands of "the War Trade Board." The State Department has no information as to procedure or the rulings laid down by this Board.

From March 3, 1921, to March 4, 1922, there was apparently no legal authority to control shipments of munitions to China.

On March 4, 1922, the President of the United States, under authority of a joint resolution approved January 31, 1922, issued a proclamation enjoining the shipment of arms to China, providing however, that the Secretary of State should have the power to make certain limitations and exceptions. The exceptions actually allowed by the Secretary of State covered only sporting ammunition, etc.

An arms embargo agreement concerning China, of 1919, was canceled on April 26, 1929. This agreement was with the Governments of Great Britain, Spain, Portugal, Russia, Brazil, France, Japan, and the United States. Since the cancelation of this agreement the Secretary of State has allowed the shipment of general munitions to the recognized Government of China. A permit must be obtained for such shipment. The Presidential proclamation of March 4, 1922, is still in effect.

Now I offer for appropriate number, and will read a copy of the letter taken from the files of the du Pont Co., from S. M. Knox, to Col. E. G. Buckner, dated September 23, 1915.

(The letter referred to was marked "Exhibit no. 859½", and appears in full in text.)

Senator Clark (reading):

Col. E. G. Buckner,
Vice President, E. I. du Pont de Nemours Powder Co.,
Wilmington, Del.

Dear Sirs: I returned from a month's absence on the Pacific coast on Sunday evening and since then have been in New York. On my return to the office I find your letters of September 4 and 14 which were held until my return. Under arrangement with Captain Gillis, the Newport News Shipbuilding Co., Wm. Cramp Ship & Engine Building Co., New York Shipbuilding Co., Fore River Shipbuilding Corporation, E. I. du Pont de Nemours Powder Co., and Bethlehem Steel Co. agree to pay $1,000 per year each (in quarterly payments of $250) making his compensation from the group $6,000 per annum. Each one of the above companies agrees to pay, in addition, the toll charges on cables to and from China, which may appertain to said company's individual business. In case he succeeds in closing any business, he is to receive a commission on same graded from 1 percent on $1,000,000 or less, down to one-half percent on $5,000,000 or more. Regretting delay in reply to your letters,

Very truly yours,

S. M. Knox, *President.*

Now, can you tell us what company Mr. Knox was president of?

Mr. Casey. I think it was the New York Shipbuilding.

Senator Clark. In any event it was from one of the companies listed here, was it not?

Mr. Casey. Yes.

Senator Clark. Can you identify Captain Gillis?

Mr. Casey. He was a retired naval officer, who had the calling of the East.

Senator Clark. He had formerly been naval attaché at the American Embassy in Peking had he not?

Mr. Casey. He may have been, Senator.

Senator Clark. Captain Gillis was your agent in China until 1929, was he not, Major?

Mr. Casey. Yes.

Senator Clark. Now, I offer for the record a concise history of China, with particular reference to the military campaigns in that country covering the period from 1919 to date.

(The history referred to was marked "Exhibit No. 860", and is included in the appendix on p. 2366.)

Senator CLARK. This history, I may say, was obtained from the Foreign Policy Association. I will not bother to read it at this time, but I will be glad to have you gentlemen look it over. I will have occasion to refer to it from time to time; and if you gentlemen have any questions concerning its accuracy, now or any time in the future, we will be glad to have them called to the attention of the committee. As I say, this was obtained from the Foreign Policy Association, which I believe to be accurate.

I now offer this for the proper number—a letter from Wilmington, Del., dated July 10, 1920, from K. K. V. Casey, director of sales, to Mr. R. R. M. Carpenter; subject, "Embargo on exports to China", a memorandum, rather than a letter.

(The memorandum referred to was marked "Exhibit No. 861", and appears in full in the text.)

Senator CLARK (reading):

> According to our best information obtainable here and through reports from Commander I. V. Gillis, our representative in China, we understand that there is a positive embargo on the shipment of arms and munitions of war from this country into China.
>
> He assures us that he believes he could do considerable military business were it possible to make shipment.
>
> We believe this matter comes under the heading of "Unfavorable legislation by the United States Government", and we ask that you investigate this proposition with the idea of determining how long such embargo is likely to last and whether it is possible to have this order rescinded.

Now, who was Mr. Carpenter?

Mr. CASEY. He was vice president of the company.

Senator CLARK. He was in charge of your governmental relations?

Mr. CASEY. No; he was a member of the executive committee at that time.

Senator CLARK. He is one of the gentlemen who is unfortunately afflicted with heart trouble at this time, I believe?

Mr. CASEY. No.

Mr. RAUSHENBUSH. No.

Mr. LAMMOT DU PONT. He was since retired from active business.

Senator CLARK. I thought he was one of the gentlemen spoken of here yesterday. If he was not in charge of your governmental legislative matters, how does it come you said,

> We believe this matter comes under the heading of "Unfavorable legislation by the United States Government."

And therefore referred it to him?

Mr. CASEY. I understand he was handling matters of that sort at the time, and we wanted to find out. I might add at this point, Senator, that shortly before that period Colonel Buckner's old job had practically come to me.

Senator CLARK. Colonel Buckner was vice president?

Mr. CASEY. Colonel Buckner was vice president in charge of military sales.

Senator CLARK. Military sales?

Mr. CASEY. Yes; and here we had this expense of $1,000 a year with an embargo on, and I wanted to find out if there was a chance of that embargo being lifted, because otherwise we were going then to give consideration to severing this connection with Captain Gillis, because why should we continue to pay money out with no chance of doing business in that territory?

Senator CLARK. Do you have in your company a division under the head of, or a department, unfavorable legislation by the United States Government?

Mr. CASEY. No; not that I know of.

Senator CLARK. You say:

> We believe this matter comes under the heading, "Unfavorable legislation by the United States Government."

Mr. CASEY. No; not that I know of.

Senator CLARK. Did you say that just gratuitously?

Mr. CASEY. I may have used that expression.

Senator CLARK. Or was it a regular matter in the routine of your business?

Mr. CASEY. I say, I may have used that expression.

Senator CLARK. Do you know what action Mr. Carpenter took about this "Unfavorable legislation by the United States Government"?

Mr. CASEY. I have no recollection; it is beyond me.

Senator CLARK. Do you know whether he approached any officials of the United States Government or not?

Mr. CASEY. No; I do not.

Senator CLARK. Certainly you did object to the embargo and considered it unfavorable legislation on the part of the United States Government?

Mr. CASEY. No; I did not say that; I objected to it.

Senator CLARK. But you stated it was unfavorable legislation of the United States Government.

Mr. CASEY. That is my expression.

Senator CLARK. Yes.

Now, I offer for appropriate reference an excerpt from a letter from I. V. Gillis, Peking, China, dated January 31, 1921, to K. K. V. Casey.

(The excerpt referred to was marked "Exhibit No. 862" and appears in full in the text.)

Senator CLARK. This excerpt of the letter, page 3, reads:

> I have heard rumors from one source that the embargo was to be removed shortly (that is, as far as the United States is concerned), whereas I recently saw a certain confidential document which clearly indicated that such is not the case.
>
> As relating to this embargo question, I would state that recently an entire plant (arsenal) for the manufacture of rifles, cartridges, and so forth, was supplied to the southern government by an American firm called the Davis Co. under circumstances which I believe are now under investigation by the American Government authorities. It seems that our authorities in the United States are blind to the export from the country of an arsenal, but very keen to prevent the export of rifles and ammunition, which are manufactured by the same, and also powder. A little inconsistent, it would seem.

It would seem from that, Major, that another American company was, at that time, violating this embargo, and that was called to your attention.

Do you know anything about it other than the information contained in this letter?

Mr. CASEY. I never knew who the Davis Co. was.

Senator CLARK. You never investigated any further?

Mr. CASEY. No.

Senator CLARK (reading):

> Also, the Italians have run in a large shipment of military supplies through the port of Hulutao for General Chang Tso-ling at Moukden.
>
> Apparently the "arms embargo" is a case of "getting away with it" and nothing more.

It would seem, from that statement, that other nations, at the same time were violating that embargo. Do you have any information as to this transaction as contained in Major Gillis' letter?

Mr. CASEY. No.

Senator CLARK. You relied on him for your Far East information?

Mr. CASEY. No; we never knew, of course, that there was any definite proof of it. We assumed Commander Gillis must have reported something.

Senator CLARK. And you never investigated further to find out whether the facts were true or not? I am reading these facts to give in general a picture, not only in regard to the United States, but other nations with regard to the Chinese situation.

I offer for proper number a letter dated June 17, 1921, from Major Casey to the Secretary of State, State Department, Washington, D. C.

(The letter referred to was marked "Exhibit No. 863", and appears in full in the text.)

Senator CLARK (reading):

> We are in receipt of a letter from our Chinese representative, Commander I. V. Gillis in which he states as follows:
>
> "If it were not for the embargo against the export of munitions from the United States, I feel certain that I could sell a large quantity of rifle powder at the present time. Is there any likelihood of the embargo being removed within the near future?"
>
> In view of the above, we would like to know, if it is not contrary to the interests of the United States Government, whether we could negotiate for the sale of rifle powder to the recognized Chinese Government and if such negotiations are successful, whether the State Department would permit us to make shipment.
>
> Yours very truly,
>
> K. K. V. CASEY, *Director.*

Now, of course, Major, that shows that the du Pont Co. was anxious at that time to sell powder and other material in China?

Mr. CASEY. Yes.

Senator CLARK. Did you ever receive any answer from the Secretary of State on that?

Mr. CASEY. I imagine we must have. As a matter of courtesy we would have gotten an answer.

Senator CLARK. Do you remember what the answer was?

Mr. CASEY. I think it was unfavorable to use the same expression.

Senator CLARK. In other words, he did not allow it?

Mr. CASEY. I think that gives the answer as to whether Mr. Carpenter took any action. That would indicate he put it back in our laps and we wrote the State Department.

Senator CLARK. That may be true.

Mr. CASEY. Because that is the same statement referred to. We were trying to find out what chances there were of the embargo being lifted.

Senator CLARK. The difficulty of that, Major, is that your memorandum to Mr. Carpenter was dated July 10, 1920, and your letter to the Secretary of State was dated June 17, 1921, nearly a year later.

Mr. CASEY. It may be that it took that time before it came back to us.

Senator CLARK. Mr. Carpenter was located right there in Wilmington with you?

Mr. IRÉNÉE DU PONT. If he was not in Alaska.

Senator CLARK. You certainly were not writing a letter to a man in Alaska to get a man to take up your "unfavorable legislation" in Washington.

Mr. IRÉNÉE DU PONT. No; I was just saying that because Mr. Carpenter traveled all over the world.

Mr. CASEY. There was a reply. I have it here, dated August 11.

Senator CLARK. Will you read the reply.

Mr. CASEY. It is addressed to me. It reads:

> Receipt is acknowledged of your letter of June 17, 1921, stating that if it were not for the embargo against the export of munitions from the United States you could sell a large quantity of rifle powder in China, and inquiring whether it would be contrary to the interests of the United States Government for you to negotiate for the sale of this powder to the recognized Chinese Government. The Department has also received your letter of July 19 on the same subject.
>
> The Department regrets the delay in replying to your two letters, and can only say at this time that the matter concerning which you inquire has been under exhaustive examination. The Department is not in a position positively to give a reply to your inquiries at this time because of certain phases of the question which have a bearing on the relations between this and other governments. It will be necessary, therefore, for the Department to defer action on your request until certain information, which it is now seeking, has been obtained.
>
> CHARLES E. HUGHES.

Senator CLARK. What was the date of that letter, Major?

Mr. CASEY. August 11, 1921.

Senator CLARK. August 11?

Mr. CASEY. Yes.

Senator CLARK. I now offer a letter dated July 23, 1921, from Major Casey to Captain I. V. Gillis, Peking, China, to be marked with the appropriate number.

(The letter referred to was marked "Exhibit No. 864", and is included in the appendix on p. 2368.)

Senator CLARK (reading):

> DEAR SIR:
>
> Sale of rifle powder in China.
>
> Referring to your various communications, which would indicate the possibility of considerable business of this character in China, providing the existing embargo was raised, we have thoroughly investigated the subject from this end and it now seems that the most likely method of getting the embargo raised would be through the development of positive business. We therefore ask that you use your best endeavors to secure a definite order for powder, taking care at the same time to safeguard our interests in making deliveries contingent upon our being able to get the embargo annulled or temporarily suspended, so that we will be enabled to make such delivery in an entirely legal manner.

What were the investigations in this country, Major, which you concluded that the best way to get the existing embargo raised was to get some positive orders which you would be able to show them?

Mr. CASEY. I have no recollection of the name of the man, but I went on several occasions to the Far Eastern section of the Department of State, discussing this embargo proceeding, and one of the men there advised me, "Now, here, the best way to do"—there was uncertainty in the State Department—to "bring this thing to a head is to come to us with a positive order." He asked me, "Have you got an order?" I said, "No", and he asked, "Have you attempted to get one?" He said, "Just see if you can get one, and then when you get an order if you will bring it to us we can then get a decision one way or the other."

Senator CLARK. You do not recall the name of the official in the State Department who so advised you?

Mr. CASEY. He was in the Far Eastern section at that time.

Senator CLARK. You say he was an official, but you do not recall his name?

Mr. CASEY. No; I do not.

Senator CLARK. You say he was in the Far Eastern section?

Mr. CASEY. I do not believe he was the head of the Far Eastern section.

Senator CLARK. Was that on the basis of advice to you from an official of the State Department that you advised Captain Gillis to go out and get a positive order and bring the matter to a head?

Mr. CASEY. Directed to getting permission to ship.

Senator CLARK. But it was on the advice of an official in the State Department that you advised Captain Gillis, in spite of the embargo and subject to the embargo, to go back and secure a definite order in order to bring the matter to a head and get the embargo raised?

Mr. CASEY. You see there they are uncertain in their reply, which was their attitude when I went to them.

Senator CLARK. It was upon the advice of an official of the State Department that you attempted through Gillis to get a definite order?

Mr. CASEY. Yes.

Senator CLARK. Major, if you had been able to ship powder at that time, as the situation then existed, against whom would that powder have been used, against foreign armies or by Chinese against Chinese?

Mr. CASEY. I do not know.

Senator CLARK. You were familiar with the situation. You had Captain Gillis over there to advise you. You knew China was not engaged in any foreign wars. She was engaged in warring against herself; that the powder and munitions inevitably would be used by Chinese against Chinese.

Mr. CASEY. But remember it was the recognized Chinese Government we were requesting permission to arm.

Senator CLARK. There is nothing in your letter about the recognized Chinese Government.

Mr. CASEY. It is in the letter to the Department of State that you just read.

Senator CLARK. Well, the recognized Chinese Government at that time was engaged in shooting up other Chinese, wasn't it, Major?

Mr. CASEY. They were shooting up bandits.

Senator CLARK. Well, the bandits apparently became the government there shortly thereafter.

Mr. CASEY. That is very possible.

Senator CLARK. To say the least, Major, in attempting to get the embargo lifted, you were unwilling to wait for the request to lift the embargo to come from the recognized Chinese Government, were you not?

Mr. CASEY. What is that?

Senator CLARK. I say, so far as you know, the recognized Chinese Government had never itself requested that the embargo be lifted?

Mr. CASEY. I do not know what they were requesting. They were trying to get stuff.

Senator CLARK. The du Pont Co. was not waiting for the recognized Chinese Government to make that request but were making it themselves.

Mr. CASEY. We were?

Senator CLARK. Yes, sir.

Mr. CASEY. As I say, unless the recognized Chinese Government wanted it——

Senator CLARK. The point I am making, Major, is this: You were not waiting for the recognized Chinese Government to make the request for the lifting of the embargo through regular diplomatic channels but were helping them out in making it, I take it.

Mr. CASEY. I may have been helping them out, but it was unwittingly.

Senator CLARK. I offer for appropriate number an excerpt from second and third pages of a letter dated November 4, 1921, from I. V. Gillis to K. K. V. Casey.

(The excerpt referred to was marked "Exhibit No. 865" and appears in full in the text.)

Senator CLARK. I will read an extract on page 2; and I may say, gentlemen, in this connection, whenever I read excerpts from exhibits which seem to me to be the only thing pertinent, at any time that you want to put in any other portions of the correspondence, I will be glad to have that done.

Now, reading from page 2 of that exhibit:

> Upon receipt of this letter, I would ask that you cable me as fully as possible your view of the situation and in general what you would consider doing in the way of financing the requirements of the Chinese Navy at the present time in the way of equipment and munitions.
>
> Before closing I would add that my understanding is that the State Department does not favor business of this nature at the present time on account of the so-called "Disarmament Conference" (it will result in more armaments and war with Japan, in my humble opinion), and hence if this question becomes a matter of public discussion it will undoubtedly be killed. At this end all negotiations and discussions are confined to a very few officials—the President, the Minister of the Navy, and one or two others in the confidence of the two former. I might add that an opportunity presents itself at the present time to obtain a position here as to the supply of powder and other munitions that should be taken advantage of, if there is a desire on the part of our manufacturers of such to enter this field, and, although I hesitate to say so, my present position vis-a-vis the officials mentioned above is stronger than it has ever been under like circumstances since I have been in Peking.

Now, Major, that would indicate that at that time an agent of the du Pont Co., with your knowledge, was attempting to sell this powder, even though he says himself that the State Department was afraid that such action might upset the Disarmament Conference.

Mr. CASEY. Do you mind if I read the whole exhibit?

Senator CLARK. No.

(Thereupon a short recess was taken.)

Mr. IRÉNÉE DU PONT. Mr. Chairman, while we are having a little recess, would it be fair for me to call attention to the fact that from 1914 to 1928, a period of 14 years during which China, the regular Government of China, was shut off from getting munitions, and by reason of the embargo that was in effect it had the result that these war lords, racketeers, or gunmen in China were getting bootleg supplies and just raising hell over the whole country? I need not go into the bloodshed and the like which went on there, but ought not we to open up the embargo on goods to a friendly nation being downtrodden by war lords, racketeers, and gunmen?

It seems to me that that is the correct inference. I believe we only made one sale in that 14-year period.

Senator CLARK. I think you will find that is in error, as will be developed in the course of the afternoon. Of course, that is a matter of conclusion.

Mr. IRÉNÉE DU PONT. We remember——

Senator CLARK. Wait a minute, Mr. du Pont. I do not think it has ever appeared, so far as I am advised, that either the United States or any other power signatory to this embargo ever refused any request from the Chinese Government to allow a shipment of munitions; that is, from the recognized Chinese Government, to allow a shipment of munitions to be sent.

Mr. IRÉNÉE DU PONT. Do you know that is a fact, sir?

Senator CLARK. I have never heard to the contrary.

Mr. IRÉNÉE DU PONT. You have not investigated, then, have you?

Senator CLARK. I have investigated it to some extent. Do you know of any instance?

Mr. IRÉNÉE DU PONT. I do not know of any instance, but I think it would be almost preposterous, because a country needing munitions would make request through their ministers here or in other countries for getting the munitions.

Seator CLARK. That goes to the point which I was making a moment ago, Mr. du Pont, that the request for the lifting of the embargo came not from the recognized Chinese Government itself but somebody who wanted to make money from shipping them munitions. If the recognized Chinese Government wanted munitions, it would have been a very simple matter for them to apply for it themselves to the State Department rather than to rely on Major Casey to make the request in the matter.

Mr. IRÉNÉE DU PONT. Do you think that is consistent with this last letter, indicating that the Chinese Government wanted to recondition its fleet?

Senator CLARK. If the Chinese Government desired any munitions, in a desire to lift the embargo, it would have been the natural course of such an event for the Chinese Government to make the request of the United States Government.

Mr. IRÉNÉE DU PONT. That might well be.

Senator CLARK. Rather than for your agent to tell you if you could get the embargo lifted, he then would be able to sell munitions to the Chinese Government.

Mr. IRÉNÉE DU PONT. It seems to me that that country has suffered from a lack of munitions by their central government.

Senator CLARK. How is that?

Mr. IRÉNÉE DU PONT. It seems to me that that country must have suffered from a lack of munitions by their central government because of being overrun by war lords.

Senator CLARK. They have suffered from too much munitions, both the central and other governments.

Mr. CASEY. Senator, this exhibit, it seems to me, should be read in its entirety.

Senator CLARK. I would be glad to have you read it, or I will read it [reading "Exhibit No. 865"]:

K. K. V. CASEY, Esq.,
Director of Military Sales Department,
E. I. du Pont de Nemours & Co., Wilmington, Del.

DEAR SIR: The following is report for October:

Powder: I have been negotiating on the subject of an order for powder for the Chinese Navy during the past 2 weeks, and have received a schedule of what they desire to purchase, but as some of the data conflicts with what they gave me before (see my letter to the company dated Dec. 12, 1915), I am endeavoring to ascertain which data is correct, and fuller particulars as to the characteristics of the guns for which it is wanted.

The amount will not be great, probably not in excess of 13 tons, and unfortunately the total is split up into that needed for eight different calibers and marks of guns. I am promised further information on the subject either tomorrow (Saturday) or Monday. Included in the inquiry are brass cartridge cases and certain shell; also some re-forming tools and dies for brass cartridge cases.

For your information I would state that owing to the embargo placed upon exportation of munitions of war from the United States and certain European countries and Japan (in the case of the latter country it was more conspicuous by its breach than by its observation) the navy has not been able to obtain any ammunition to make up deficiencies, and the recent fighting in the Yangtse River has almost depleted the gunboats' supply of ammunition, and apparently there is no reserve of any kind, hence the urgent need for ammunition at the present time.

As to payment, from what I have said above under the heading of finance you will readily understand that at the present time it would be extremely difficult, if not impossible, for payment to be in the ordinary way, and hence some system of delayed payments over a period of, say, 3 years or so must be availed of. I cabled you upon this subject (as stated in my letter dated October 20) and according to your reply it would appear that you are willing to at least give consideration to this matter of financing purchases of munitions in the United States. Please understand that the naval authorities desire to purchase equipment other than powder and ammunition, such to include certain small guns for mounting on gunboats, anti-aircraft guns, etc., etc.

In this connection, for your confidential information, I would state that they have made a request through the American Legation that the Bethlehem Steel Corporation give consideration to the carrying out of the contract of 1911, and from what I can learn that corporation has expressed at least a willingness to take up the matter again with the Chinese authorities, with the view to carrying out the contract in a modified form.

Upon receipt of this letter I would ask that you cable me as fully as possible your views of the situation, and in general, what you would consider doing in the way of financing the requirements of the Chinese Navy at the present time in the way of equipment and munitions.

Before closing I would add that my understanding is that the State Department does not favor business of this nature at the present time on account of the so-called "disarmament conference" (it will result in more armaments and war with Japan, in my humble opinion), and hence if this question becomes a matter of public discussion it will undoubtedly be killed. At this end all negotiations and discussions are being confined to a very few officials—the President, the Minister of the Navy, and one or two others in the confidence of the two former. I might add that an opportunity presents itself at the present time to obtain a position here as to the supply of powder and other munitions that should be taken advantage of if there is a desire on the part of our manufacturers of such to enter this field, and although I hesitate to say so, my present position vis-a-vis the officials mentioned above is stronger than it has ever been under like circumstances since I have been in Peking.

Commercial products:

I have just had an inquiry for 1 ton of gelignite and 10,000 electric blasting caps, and this I have passed on to the Shanghai office of the Export Co. It is really not an inquiry, for I have been promised the order.

Yours very truly,

I. V. Gillis.

The above excerpt has been taken from the second and third pages of letter dated November 4, 1921.

Mr. Casey. That is 1 ton of gelignite.

Senator Clark. That is correct. That is a commercial product, is it not, Major?

Mr. Casey. Yes, sir.

Senator Clark. Now, Major, coming back to that, that indicates that you were expecting to do business over there while the embargo was still in effect, does it not?

Mr. Casey. Yes, sir.

Senator Clark. And that the inquiry was then made by your agent as to whether you would be willing to finance the purchase of war munitions in this country, if you could get the embargo lifted?

Mr. Casey. Yes.

Senator Clark. But the Chinese Government, so far as you know, never made any request to you for lifting the embargo for your product?

Mr. Casey. Not that I know of.

Senator Clark. What was done with respect to this? What was your response to Captain Gillis on the subject of financing?

Mr. Casey. I would imagine, trying to think back, that we would turn the proposition down.

Senator Clark. You wanted cash on the barrelhead?

Mr. Casey. Yes, sir.

Senator Clark. Very properly so.

Mr. Casey. When it comes to an attempt at financing, even if we had been able to finance our own stuff, we certainly would not have been willing to finance others.

Senator Clark. You did not want to finance Bethlehem Steel. You wanted to finance only your products, but not general munitions; that is, you did not want to finance general purchases?

Mr. Casey. Yes, sir.

Senator Clark. Which you very properly turned down.

Mr. Casey. Yes, sir.

EVADING THE SPIRIT OF EMBARGO BY SHIPMENTS TO NEUTRAL COUNTRIES

Senator Clark. I offer for appropriate number a memorandum dated May 9, 1922, from C. I. B. Henning, headed " Visit to Bethlehem Steel Co.'s office, Friday, May 5."

Who was he, Major?

Mr. Casey. He at that time was technical director of military sales. He was really a ballistician.

Senator CLARK. He was one of your subordinates?

Mr. CASEY. Yes, sir.

Senator CLARK. It does not appear to whom the memorandum was directed, but the memorandum was taken from the files of the du Pont Co.

Mr. CASEY. A memorandum report to go in the files.

(The memorandum referred to was marked " Exhibit No. 866 " and is included in the appendix on p. 2369.)

Senator CLARK. The memorandum is headed, as I have said, " Visit to Bethlehem Steel Co.'s office, Friday, May 5."

I will read subhead *b*, the fourth paragraph, Major. If you desire to read any of the rest of it, you may read all that is material. Referring to the Bethlehem Steel Co., it says [reading]:

> They had just received an inquiry for antiaircraft guns from a firm in Macao, the Portuguese port in China. This brought about a discussion as to the practicability of using Macao as a port of entry for ordnance material intended for Asiatic use. The answer apparently is that this is a practicability as Macao is a duty-free port and under Portuguese supervision.

Major, it would appear from that that your company was still interested in finding methods of shipping munitions into China in spite of the embargo.

Mr. CASEY. I do not think so.

Senator CLARK. Your agent was down talking with Bethlehem Steel about the possibility of using this as a way to get them into China.

Mr. CASEY. No. He said this information came to the attention of the Bethlehem Steel Co. It does not indicate that either Bethlehem or du Pont was going to use it.

Senator CLARK. It discussed the practicability of it.

Mr. CASEY. This was a discussion of a good many ordnance problems.

Senator CLARK. That is probably true.

Mr. CASEY. This is one item which came in, and there it is as an indication of a suggestion, not from Bethlehem but a suggestion made to Bethlehem, which they in turn passed on to us.

Senator CLARK. The memorandum states [reading]:

> This brought about a discussion as to the practicability of using Macao as a port of entry for ordnance material intended for Asiatic use. The answer apparently is that this is a practicability as Macao is a duty-free port and under Portuguese supervision.

That certainly indicates that at least there had been some discussion between your agent and the representatives of Bethlehem Steel. Now, for all I know, there may have been an entirely abstract discussion of it, but certainly it would seem to indicate, and the fact that he took the trouble to report it to you indicates very clearly that that was a subject of discussion between yourself and Bethlehem Steel at that time.

I now offer for appropriate number a translation from German of a letter dated in Berlin, December 31, 1923.

(The translation referred to was marked " Exhibit No. 867 " and appears in full in the text.)

Senator CLARK. That letter states [reading]:

Messrs. E. I. DU PONT DE NEMOURS EXPORT CO., INC.,
120 Broadway, New York.

Referring to your advertisement in the Kelly's Directory, page 2147, volume 1, we wish to ask you to offer us your prices of smokeless powder:

	Tons
(1) For 7.5 field guns 1/29 Shape: Rectangle, with 7 perforated cords. Diameter: 4 mm. Length: 15 mm. Muzzle velocity: 510 m. Average gas pressure: 1130 atm.	5
(2) For 7.5 mountain guns Shape: 9 square mm. Thickness: 4/10 mm. Muzzle velocity: 280 m. Average gas pressure: 639 atm.	5
(3) For 5.7 mountain guns Shape: 2 square mm. Thickness: 4/10 mm. Muzzle velocity: 350 m. Average gas pressure: 1,029 atm.	2

Due to the facts that the high cost of raw materials have caused the German firms to charge higher prices for explosives than in other countries, and that even at equal prices or lower the German products in this line cannot be be exported, in accordance with the terms of the Treaty of Versailles, we are forced to obtain foreign explosives for our export trade. The goods in question are designated for Manchuria, and, of course, importation into Germany is absolutely out of consideration.

Your prompt reply and offer will be very much appreciated. Prices are to include export packing, f.o.b. American port, and time of delivery desired.

In anticipation of your kind reply, we beg to remain,

Very truly yours,

STEFFEN & HEYMANN.

Now, you answered that letter, Major, on February 14, 1924, which I offer for appropriate number, in which I will read the first and last paragraphs, the rest having to do with specifications which you asked for.

(The letter referred to was marked "Exhibit No. 868" and appears in full in the text.)

Senator CLARK (reading):

STEFFEN & HEYMANN,
Berlin W. 50, Germany.

GENTLEMEN: Replying to your letter of December 31, 1923, making inquiry for smokeless powder for certain guns:

We advise that it will be necessary for you to give us detailed information regarding the characteristics of these guns before we are able to accurately determine the dimensions of the smokeless-powder grains which will meet your requirements. The data which you send us should include at least the following: Complete designation of the gun, together with description of the projectiles to be used. We would also like to know—

Mean and extreme pressure limits.
Weight of projectile.
Diameter of projectile.
Position, diameter, and width of driving band on projectile.
Travel of projectile in the bore of the gun.
Diameter of bore of gun, together with description of rifling.
Capacity of powder chamber, together with approximate dimensions.
Present weight of German flake powder propellant used.

We have a considerable stock of assorted granulations of cannon powder on hand, and it is possible that some of these might meet your requirements and

> be available for early delivery at a very attractive price. Although we are able to manufacture any kind and type of propellant powder, we do not as a matter of routine manufacture the flake powder having composition and dimensions as previously used by Germany. We can give you much more attractive prices on the American type of propellant made in single or multiperforated grains.
>
> We note that your inquiry is for materials to be exported to Manchuria. We presume that you are aware of the fact that we are unable to export munitions from America to China, owing to the position taken by our State Department on such exports. However, we are enabled to export smokeless powder to any of the "neutral" European countries. Should we find that we can supply your requirements from powder already in stock, we can quote you a price, including export packing, of approximately 40 cents per pound f.o.b. American port.

As I read that, Major, you were stating that while you could not export direct to China as the ultimate destination of the goods, you would be glad to export them to a neutral port and then they could be transshipped to China.

Mr. CASEY. I do not think that that is the proper interpretation, Senator.

Senator CLARK. What is the proper interpretation?

Mr. CASEY. We have already indicated today——

Senator CLARK. I am not talking about what you indicated today, Major, but what you wrote in the correspondence with the Germans.

Mr. CASEY. I mean the difficulties which we were having in trying to sell in China, disregarding the embargo entirely. I mean, if the embargo had been lifted, we would have had great difficulty. Here was a request from Germany, in which they advised us that they wanted to buy F. A. S., an American port. We therefore in reply gave them a price, or indicated a price. We had that powder in stock, but that, however, does not in any way indicate our willingness. At the same time, you must realize this: You will find it from Commander Gillis' report and you will find it from some of our own letters, that there was a report that the embargo would be lifted at almost any time, that this is just like the ratification of the Geneva Convention, it was not lifted until some time after that.

But at that time there was continual discussion that the embargo might be lifted. It came from China and it came from this country.

Here was the proposition: We simply turned to this man and said that we could not sell to Manchuria, but in order to keep the thing open, with the idea that they would come across with an order, then in the meantime if the embargo were lifted, we would be in a position to ship, and the negotiations would have been kept open.

Senator CLARK. You threw in the suggestion about shipping to a neutral country as more or less a stall to keep the thing open?

Mr. CASEY. To keep the thing open.

Senator CLARK. Is not that equivalent to saying, "I cannot deliver you a submachine gun out in the hall, but I will deliver you a submachine gun in this room"—that is, assuming that I am in the submachine-gun business—"and if you choose to take it out in the hall, that is your business and not mine."

Mr. CASEY. I do not think so.

Senator CLARK. You say:

> We cannot ship direct to Manchuria, but there is no reason why we cannot ship it to a neutral country—

and, as I read it, there is a suggestion that it go to a neutral port.

Mr. CASEY. Senator, it is a basic principle in selling to keep a proposition open as long as you can. You have got to do that, even though at the last moment, when you cannot do it, you have to come in and say, "Unfortunately, we cannot ship." But you must keep the thing open, looking to the time when you can do it.

Senator CLARK. Suppose he accepted your proposition that you should ship it to a neutral port; what would you have done?

Mr. CASEY. We would have promptly come to the State Department and said, "Here is the proposition. What do you think of it?" The answer at that time would have been "No", we know now, although at the time we wrote the letter we did not know.

Senator, in all these propositions I wish you would try to believe one thing: An earnest and honest endeavor on our part to try to comply with the wishes of the United States Government.

Senator CLARK. Major, you did not seem to have any doubt as to what the United States Government would say. You say in this letter:

> We presume that you are aware of the fact that we are unable to export munitions from America to China, owing to the position taken by our State Department on such exports. However, we are enabled to export smokeless powder to any of the "neutral" European countries.

That does not indicate any doubt in your mind about what the State Department would do as to allowing export to neutral countries.

Mr. CASEY. Suppose the State Department said at the time, "We have no objection to that", which I doubt they would have said, but that is a matter, after all, for final determination by the State Department.

Senator CLARK. You do feel, Major, that in the exporting of goods to neutral countries for transshipment to China with your knowledge, that you were at least violating the spirit of the embargo?

Mr. CASEY. Had we done so contrary to the wishes of the State Department, we would have been violating the embargo. I again repeat my previous statement.

Senator CLARK. There is nothing in the law—I agree with the statement in your letter to the German concern—there is nothing in the law at that time which made it illegal to export to a neutral country.

Mr. CASEY. It is not a question of being illegal to export to a neutral country.

Mr. CLARK. But it is an evasion of the spirit of the embargo.

Mr. IRÉNÉE DU PONT. No evasion, sir. You put in the word "direct." You said we could not ship direct to Manchuria, and there is no "direct" there. We said that we could not ship to Manchuria. Of course, you may have suspicions that this has a sinister, undercover meaning. The facts are that the shipment was not made, and it was all surmise and suspicion.

Senator CLARK. The fact is that the shipment was not made because they did not respond to your proposition. Is not that true?

Mr. CASEY. Senator, it should be self-evident at this time that had we wanted to go there, around through the back door, we could have had plenty of business.

Senator Clark. Major, I am not discussing that with you, but I am going to state that this record shows shipments from the other countries. I see that the conduct of Americans and of your company was very much superior to that of most of the countries in the world, but I am trying to develop, as far as may be, on the evidence before us, a general picture of the Chinese situation, and to show what the du Pont Co., as well as other companies, actually did do with regard to the embargo.

Now I offer for appropriate number a letter dated June 10, 1924, addressed to Capt. I. V. Gillis, in Peking, China, from Major Casey.

(The letter referred to was marked "Exhibit No. 869" and is included in the appendix on p. 2370.)

Senator Clark. That letter reads in part as follows [reading]:

> We beg to acknowledge receipt of your reports for the months of March and April.
>
> Explosive's works: We have talked this project over with Mr. Pickard, who has handed on to us your letter of April 6 on this subject. We have already submitted the proposition to our explosives department and hope to be able to mail you within the next 30 days a memorandum setting forth the general lines along which the explosives department would be interested in organizing an explosives company, constructing a factory, and manufacturing explosives in China.

That would indicate, Major, that your company had under consideration at that time another way of getting around the embargo by moving over there, where the cannon fodder was right at hand.

Mr. Casey. Wait a minute. This is a commercial plant, and for that reason it was turned over to the explosives department. It is nothing we had anything to do with.

Senator Clark. It is nothing you had anything to do with?

Mr. Casey. A commercial explosives plant.

Senator Clark. It is strange that you were handling the correspondence.

Mr. Casey. Gillis reported it to me and, as I say, I turned it over to the explosives department.

Senator Clark. The letter goes on to state [reading]:

> Embargo: We have talked this subject over with the State Department and also with our Navy, but to date we do not seem to have been successful in getting either of the above-mentioned departments to come to any action. We intend to keep after our State Department and make them see the facts as you have reported them to us. We will keep you advised of all developments.

How did you intend to make the State Department see the facts as you saw them?

Mr. Casey. The violations of the embargo to which you are continually referring, which, incidentally, the State Department said they were fully aware of, but never took any action.

Senator Clark. I think it is a matter of common notoriety that the embargo was very widely violated.

Mr. Casey. Yes, sir.

Senator Clark. So that this effort on your part, Major, of which you were advising Captain Gillis, was a repetition of your effort to have the embargo lifted and to see that you be allowed to export to China without restriction?

Mr. Casey. To do so along with other people who were violating the embargo.

Senator Clark. I offer for appropriate number a letter from Captain Gillis to Major Casey under date of July 31, 1924.

(The letter referred to was marked "Exhibit No. 870" and is included in the appendix on p. 2371.)

Senator Clark. I will read a portion of this, Major, and if there is any part of it that you wish to have read, very well [reading]:

> The following is my report for the month of July.
>
> Embargo: The embargo becomes more and more of a farce from day to day, and the Inspector General of Customs, Sir Francis Aglen, openly admits the fact, and states that he is powerless to prevent munitions of war from being imported. Hardly a day goes by without the press carrying an article on the subject.
>
> It seems that all munitions confiscated by the customs on account of illegal entry are turned over to the local authorities (military, of course) according to the official procedure in such cases. All the military officials have to do is to order munitions sent to a certain port and wait for the customs to seize them, after which they fall into their own hands in natural course.
>
> Only a few weeks ago an American vessel arrived at Shanghai loaded with lumber as far as the manifest showed, but also carrying a large consignment of arms and munitions, and while discharging the lumber she also succeeded in landing the greater part of the munitions before the customs discovered what was going on. The small amount remaining was confiscated, but even these will eventually find their way into the hands of the military officials.
>
> The other day the Japanese legation gave out to the press as a piece of news a detailed account of a contract for arms which they stated was made by an American, assisted by one of the secretaries of the American Legation and an ex-naval attaché now a resident of Peking, which of course referred to me. They added that the contract was signed at our legation, this as a final touch to show that our Government was not attempting to carry out the embargo. Of course the thing was wholly a fabrication as far as America and Americans are concerned, and the probability is that an Italian deal which was actually put through with the Italians and with the assistance of that legation is what the Japanese legation referred to and confused the names, and many think intentionally. The idea being that it was a "smoke screen" to attract attention of everybody to us while they put over something themselves.

I take it that there is not any question, Major Casey, that it was a fact that there were wide-spread violations of the embargo by manufacturers from other countries?

Mr. Casey. This is what Captain Gillis found.

Senator Clark. You got it from other sources besides Captain Gillis, did you not?

Mr. Casey. Yes, sir.

Senator Clark. That was a matter of common notoriety.

Now, Major, since it is probable that a request from the recognized Chinese Government for the shipment of munitions would have been honored in these various countries, it is a fair assumption in that letter from the information that has been just set out that these shipments were shipments to these irregular forces and irregular governments in China, is it not, for the most part?

Mr. Casey. No indication to me. I am speaking, of course, from my own view.

Senator Clark. I am asking for your reason, because you are familiar with it.

Mr. Casey. The customs people seize the stuff and confiscate it and turn it over to the military. It must have been the military of the same government of which the customs was a part.

Senator Clark. But Captain Gillis' letter shows that the customs were helpless, because they were turned over to the local officials.

Mr. Casey. Yes.

Senator CLARK. And the local officials were frequently at variance with the central government?

Mr. IRÉNÉE DU PONT. It does not say anything about that in the letter, that they were at variance with the central government.

Senator CLARK. No; he does not say that in the letter.

Mr. IRÉNÉE DU PONT. That is surmise. I don't know.

Senator CLARK. Now, Major, I read you a letter addressed from yourself, dated October 2, 1924, which I will offer for the appropriate number in the record.

(The letter referred to was marked "Exhibit No. 871" and appears in full in the text.)

Senator CLARK. This letter is addressed to Col. W. N. Taylor, 47 Avenue de l'Opera, Paris, France. He was your European representative?

Mr. CASEY. Yes.

Senator CLARK (reading):

> On October 1, we received a cablegram from Magnus Arms Co., of Hamburg, Germany, in Liebler's German code, which, when decoded, read as follows:
>
> "Have orders in hand for Chinese arsenal. Telegraph direct shipment 5,000 kilos German smokeless leaflet."
>
> We replied, using Liebler's code, as follows:
>
> "Can supply f. a. s. American port 5,000 kilos German smokeless leaflet, price $2.25 per kilo."

What does "f. a. s." mean?

Mr. CASEY. Freight alongside steamer.

Senator CLARK. That is where you take your freight alongside and the purchaser takes possession of it there?

Mr. CASEY. No; that is not what it means. It means the price is predicated on that. Now, if we put it on board the steamer, it would be a different price.

Senator CLARK. Yes; but it has also a different legal effect—the delivery at side of steamer.

Mr. CASEY. No; that is a common practice, too. We may make it f. o. b. plant or f. a. s. steamer.

Senator CLARK. Well, we will come back to that.

The last paragraph of "Exhibit No. 871" reads:

> We suggest that you follow this matter up by communicating with Mortiz Magnus, Jr., Hamburg, Germany. Please keep in mind that there is an existing embargo on shipments of powder or munitions to China. We are aware of the fact that Bofors and perhaps other European munition manufacturers have made shipments to China within the past 6 months, thereby violating the embargo. This fact is also known to our State, War, and Navy Departments. In giving Magnus Arms Co. a quotation, we did so based on delivering powder to them at an American port. Do not quote c. i. f. on this inquiry under any conditions.

Now, what does "c. i. f." mean?

Mr. CASEY. That means delivery in a foreign country.

Senator CLARK. Delivered in a foreign country?

Mr. CASEY. Freight and insurance.

Senator CLARK. This is signed, "Very truly yours, K. K. V. Casey, director."

Mr. CASEY. Now, the situation regarding that was exactly the same as the one of Steffen & Heymann, the only difference being in this case that Colonel Taylor knew fully our policy and we wrote to our own man.

Senator CLARK. Yes; I understand that is instructions to your European agents.

Mr. CASEY. Yes.

Senator CLARK. But you make the quotation f. a. s. instead of c. i. f. This fellow Magnus was a notorious smuggler, wasn't he?

Mr. CASEY. Nobody knew it at the time. That never developed until later.

Senator CLARK. You know it now?

Mr. CASEY. Yes; I know it now, but afterthought is very helpful sometimes. This is the first time, to my knowledge, that I ever heard of that.

Senator CLARK. Several years later, in 1933, Colonel Taylor described him to you in these terms, the exhibit having already been put in evidence:

> There are four men in Germany principally engaged in the contraband of arms—James Magnus & Co.
>
> Maurice Magnus is in charge of the military business. They have a representative in New York called Leo Kohn, 90 West Street, New York. Maurice Magnus does not work in the name of the firm but takes orders in his own name. He claims to be a second-hand arms dealer in a legitimate manner, but, in reality, his work is all contrary to rules and regulations. The only legitimate work we know about is the sale of Polish rifles to Finland. His credit is not very good, because the manufacturers who sell to him become immediately involved in an illegal transaction and, hence, find it difficult to collect.

Now, you say you were not apprised of these facts about Magnus at the time you received this letter?

Mr. CASEY. No; I had no idea. Further than that, nothing ever happened to either one of those inquiries after that.

Senator CLARK. I am coming back to this difference in f. a. s. and c. i. f. Isn't this delivery f. a. s. a situation in which the purchaser takes the goods at the shipside and then is responsible for shipping them anywhere he pleases?

Mr. CASEY. Yes. No; not necessarily; because you cannot get a manifest on a f. a. s. shipment. It never gets aboard the steamer.

Senator CLARK. Mr. Bates is an official of your company, isn't he?

Mr. CASEY. Yes.

Senator CLARK. What did he mean when he wrote a letter on September 10, which I will ask to have marked with appropriate reference.

(The letter referred to was marked "Exhibit No. 872" and appears in full in the text.)

Senator CLARK (reading):

> Mr. F. J. Monaghan, Remington Arms Co., 25 Broadway, New York.

The Remington Arms Co. is controlled by the du Pont Co., is it not?

Mr. CASEY. What is the date?

Senator CLARK. September 10, 1931.

Mr. CASEY. Yes.

Senator CLARK. Maybe not then, but the relationship was very close before you took them over, was it not?

Mr. CASEY. The same as any other American loading company.

Senator CLARK (reading "Exhibit No. 872"):

Mr. F. J. MONAGHAN,
Remington Arms Co., 25 Broadway, New York.

MY DEAR INSURRECTO: Thank you very much for your letter of the 9th instant. I did not know you had been in Havana and was glad to hear you succeeded in expelling the erroneous impression among the legation people in Havana that you had supplied munitions to the rebels. We in the export game know, of course, that there is a world of difference between f.a.s. and c.i.f.

By the way, judging from the outcome of the skirmishes at Cibara, the boat load of huevos from Mexico did not arrive in Cuba.

Now that was bombs, was it not?

Mr. IRÉNÉE DU PONT. Huevos is eggs.

Senator CLARK. I understand, and he evidently referred to a shipment of bombs, didn't he?

Mr. IRÉNÉE DU PONT. Well, they might be good eggs or bad eggs. They do not state.

Senator CLARK. It depends on whom they were thrown at.

I shall make it a point to call on you when next I go to New York.

Now, is it not a fact, Major, that if you shipped these goods c.i.f., you were responsible for the shipment, but if you shipped them f.a.s., you would not be responsible for them at the destination, but the purchaser would be?

Mr. CASEY. You mean if we were trying to evade the embargo?

Senator CLARK. No; I am not talking about that. I am talking about the legal responsibility.

Mr. CASEY. The responsibility of the company always ends at the point of delivery.

Senator CLARK. That is what I say, the responsibility of the company would end at the point of delivery if you delivered them f.a.s. at the ship.

Mr. CASEY. But that is not moral responsibility.

Senator CLARK. I am not speaking of the moral responsibility but of the legal responsibility, and isn't that what you meant when you told Colonel Taylor to be very certain to make the delivery f.a.s. instead of c.i.f.?

Mr. CASEY. No. That was purely on the question of price. When it is f.a.s. you do not load.

Senator CLARK. That was purely a question of price?

Mr. CASEY. Another thing you must remember, Senator, on shipments of small quantities of powder or explosives it is a very, very difficult thing to get ships to take that kind of material. It means a great inconvenience to them. Passenger ships are not allowed to take it and even freighters have to go through special trades, and everything of that sort, and put the stuff on deck, according to the regulations. I know sometimes we will wait months on a legitimate shipment before we can get any steamer to take it, and we never know what rates we have to pay.

Senator CLARK. Now, Major, let me read you this letter again to Major Taylor:

October 2, 1924. Col. W. N. Taylor, 47 Avenue de l'Opera, Paris, France.

On October 1 we received a telegram from Magnus Arms Co., of Hamburg, Germany, in Liebler's German code, which when decoded read as follows:

"Have orders in hand for Chinese arsenal telegraph direct shipment 5,000 kilos German smokeless leaflet."

Now, the destination of that powder was China, was it not?

Mr. CASEY. Yes.

Senator CLARK. If there was not a difference between f.a.s. and c.i.f., the shipment would have been clearly illegal under the embargo.

Mr. CASEY. How do you mean?

Senator CLARK. You could not have shipped direct to China.

Mr. CASEY. No; we could not ship direct, nor could we indirect.

Senator CLARK. But wasn't that the distinction between f.a.s. and c.i.f. in that case?

Mr. CASEY. Oh, no; not a bit. It might interest you to know, Senator, that during the war we did not even quote prices f.a.s., nor did we quote prices f.o.b. plant. We quoted prices alongside the cars at plant. We would not even take the responsibility of getting the railroad transportation. We said we would help them to get it, but we would not take the responsibility in the quotation.

Mr. RAUSHENBUSH. But that was a seller's market in the war, was it not?

Mr. CASEY. Yes.

Senator CLARK. In other words, you could lay down any stipulation you pleased during the war. You were not hustling for business.

Mr. CASEY. There may be something to that, but it simply shows there are certain situations that may arise where the question of shipment is very difficult.

Senator CLARK. It seems to me the question of shipment is very important in this case.

I read you a letter from Captain Gillis, dated October 5, 1924, which I offer for appropriate exhibit number.

(The letter referred to was marked "Exhibit No. 873" and is included in the appendix on p. 2372.)

Senator CLARK. This is to you, Major Casey.

> DEAR SIR: The following is my report for the month of September:
>
> Powder imports: In my last report I stated that the agent of the Norsk Spraengstofindustri was at Moukden negotiating with the authorities there for another order for powder and explosives. He returned to Peking a few days ago and told me that he had secured an order for over 300 tons, and after but a stop of a few days in Peking he left for Europe (via Siberia) last week to expedite delivery. He stated that the powder furnished Moukden had been found to be very satisfactory, and that he had little or no difficulty in securing this good-sized repeat order of three hundred-odd tons.

Now, this sale, of course, was to a nonrecognized government, was it not?

Mr. CASEY. That was, I think, from Norway.

Senator CLARK. Yes; I say it is from Norway, but it was to an unrecognized government.

Mr. CASEY. Was Norway a party to the embargo?

Senator CLARK. Norway was never a party to the embargo, I don't think, nor any of the Scandinavian countries.

Mr. CASEY. You read the report and I will listen.

Senator CLARK. I read from the same.

> However, the powder supplied the Kungsien Arsenal seems not to have been so satisfactory, for he had 6 tons turned back upon his hands, so he informs me. He said that the trouble was that there was not complete combustion. He also added that General Chiang was constantly referring to the powder bought from du Ponts, comparing its excellence with the Norwegian powder, and saying that the best he had ever bought was that supplied by us.

When did Chiang get that powder?

Mr. CASEY. In 1916. That was one contract that Gillis had negotiated for 88,000 pounds. We still keep on the wall of one of our rooms the contract in Chinese, framed, because it is a curiosity.

Senator CLARK. That was Chang Tso-lin or Chiang Kai Shek?

Mr. CASEY. No; that was the government that existed in 1916. I don't know who it was. Chang may have been in connection with the government.

Senator CLARK. He refers to General Chiang. At the time of this letter there was Chang Tso-lin in Manchuria and Chiang Kai Shek in the south of China, neither one of whom was the recognized government. Now, which one did he refer to?

Mr. CASEY. That I don't know.

Senator CLARK. Which one is your letter from that is on the wall of your plant?

Mr. CASEY. That was from the Government as existed in 1918, before the embargo was ever put on.

Senator CLARK. Neither of these changes had anything to do with the recognized government at that time.

Mr. IRÉNÉE DU PONT. How do you know?

Senator CLARK. How is that?

Mr. IRÉNÉE DU PONT. How do you know that?

Senator CLARK. I am familiar with the history of China. I have read it over.

Mr. IRÉNÉE DU PONT. I just wondered why.

Senator CLARK. I will put it in the record, Mr. du Pont, if you wish. I will be glad to have you read a sketch of the history.

Mr. IRÉNÉE DU PONT. Do I have to read it all?

Senator CLARK. No; but you can very readily find that out.

Mr. CASEY. That is the only powder, until 1929, that we had ever shipped to China.

Senator CLARK. And you had never supplied any powder to either of those last two Chinese gentlemen?

Mr. CASEY. To any group in China.

Senator CLARK. To any group in China?

Mr. CASEY. No.

Senator CLARK. You never supplied any TNT that went indirectly to Manchuria, according to your information?

Mr. CASEY. Yes; we afterwards heard that. You will come to that later.

Senator CLARK. Yes; we will come to that later.

Now, did you say that was sold through Captain Gillis?

Mr. CASEY. Yes. That was the only contract he ever got for us.

Senator CLARK. And that was to the recognized government?

Mr. CASEY. At that time.

Senator CLARK. That was in 1916?

Mr. CASEY. I think it was in 1916.

Senator CLARK. Evidently it lasted pretty well. This letter was written in 1924.

Now, reading further from this communication from Captain Gillis, it says:

> The above information shows you just how effective the embargo is in keeping military supplies and powder and explosives out of China. Eighteen French

airplanes are at Shanghai now and will be delivered to the Moukden authorities shortly, and, although the Chinese Government has protested to the French Legation, the reply of the latter is that as the planes are commercial ones they cannot interfere in legitimate commercial business, although everybody knows that they are for Chang-Tso-Lin. Three years ago when there was no "war" on—

That "war" is in quotation marks. I assume he means by that an internal war.

Three years ago when there was no "war" on I was prevented from selling an order of 100 planes through interference of the British Legation and an appeal by them to our own Legation, notwithstanding the fact that Vickers had sold 100 planes to the Chinese Government not many months before. The British Legation was supporting Vickers as against Handley-Page "for whom I put the business through, and wanted no competition by either other British firms or American ones."

Did Captain Gillis ever tell you anything else or give you any other instances of the British Legation helping Vickers to wreck the Chinese embargo?

Mr. Casey. There may be some.

Senator Clark. I am not asking this for the purposes of cross-examination. I am simply asking for information. I just want to say that there is nothing in our files that has any information on that point and I am asking to see if you have any.

Mr. Casey. Your men went pretty thoroughly into that, didn't they, Mr. Raushenbush? I imagine they pulled pretty nearly everything of that sort we had.

Senator Clark. You have no knowledge of it?

Mr. Casey. I have no recollection whatever.

FALSE LABELING OF SHIPMENTS TO EVADE EMBARGO

Senator Clark. Now, I offer for appropriate number a letter dated December 9, 1924, signed by Major Casey and addressed to the China & Japan Trading Co., Ltd., 115 Broad Street, New York City.

(The letter referred to was marked "Exhibit No. 874" and appears in full in the text.)

Senator Clark. I will read this:

TRINITROTOLUENE

Gentlemen: Referring to your letters of November 25 and December 8, regarding the matter of special marking and packing of boxes containing trinitrotoluene:

At an increase of one-half cent per pound in prices previously quoted you, we can pack boxes in outer containers properly marked in accordance with American regulations, and you can, at such point as best suits your convenience, remove the outer container.

We would be pleased to have you advise us your latest idea as to precisely the character of the designations, markings, etc., that should appear on the inner container. The inner container will be suitable for transportation of TNT, and entirely independent of the outer container.

We do not believe it satisfactory to construct boxes with a light additional side nailed to the actual container and which could easily be removed, nor do we consider it satisfactory to attach paper stickers in any form.

Very truly yours,

K. K. V. Casey, *Director*.

Now, what was that transaction, Major?

Mr. CASEY. That was a transaction where the China & Japan Trading Co. approached us, I think, for 20 tons of TNT and in some conversation they had with O'Gorman they stated they did not want the word "explosive" or "dangerous" on the boxes. We said it was absolutely impossible for us to ship in this country, due to the I. C. C. regulations, unless those were clearly marked. They therefore came back and suggested, "Well, can't you simply put a temporary board on the side of the boxes with 'explosives' and 'dangerous' on it, which can afterwards be removed?" We said, "No."

As a matter of curiosity, we said, "Why this mystery about this thing?" They said this stuff was going to Korea, under Japan, that they did not want the boxes marked "explosives" wandering around, because the minute the bandits saw anything of that sort they would grab it. Now, that was the explanation.

Senator CLARK. You believed the explanation, Major, did you?

Mr. CASEY. What is that?

Senator CLARK. You believed the explanation?

Mr. CASEY. We had no reason to believe otherwise. Now, the China & Japan Trading Co. had been a reputable and well-established firm in the United States, I think, for quite some years. They rate with Mitsui & Co. I do not believe they are anywheres near as big, but I mean of the same standing. That was their statement and it so appeared in all the correspondence. Then I think shortly after that they came back with another one for an additional 20 tons. In the meantime a letter came from Gillis giving us the low-down on it, but too late to stop the second shipment.

Senator CLARK. You mean the letter in which Gillis told you that that TNT landed in Chang Tso-lin's arsenal at Moukden?

Mr. CASEY. It went, I think, to the Manchurian Mining Co. and then they in turn passed it out.

Mr. CLARK. Its ultimate destination was in Chang Tso-lin's arsenal at Moukden, was it not?

Mr. CASEY. So we were informed.

Senator CLARK. You were told that by Gillis?

Mr. CASEY. That is the last transaction we had with them.

Senator CLARK. You did actually make these false containers for them, however?

Mr. CASEY. Yes; we had to do it, to conform with the I. C. C. regulations.

Mr. IRÉNÉE DU PONT. What was the marking on the inside boxes?

Mr. CASEY. That is reported by Captain Gillis. They were plainly marked trinitrotoluene, showing what they were, but trinitrotoluene meant nothing to the bandits. However, "explosives" did. They could read that. They had seen lots of boxes with that on.

Senator CLARK. You mean they could read English as far as being explosives is concerned?

Mr. CASEY. To that extent; but trinitrotoluene did not mean anything to them.

Senator CLARK. You were trying to use a code word on them?

Mr. CASEY. I don't know what code it was.

Senator CLARK. Now, Major, I will read you a letter offered for appropriate number from Captain Gillis dated May 28, 1925.

(The letter referred to was marked "Exhibit No. 875" and is included in the appendix on p. 2372.)

Senator **Clark**. The last letter of yours which I read, about the fake markings, is dated December 9, 1924. This is dated the following May 28:

> **Dear Sir**: I would bring to your attention the following details in connection with the 20 tons of trinitrotoluol (TNT) sold by company to the China & Japan Trading Co. through their New York office, believing that they will interest you, for the final destination of the TNT was Chang Tso-lin's arsenal at Moukden, and there was an open and flagrant consent to a violation of the arms embargo on the part of the Japanese authorities
>
> The TNT reached Kobe on September 12, 1924, per the steamer *Edmore*, of the Admiral Oriental Line, and consisted of 996 cases of 80 percent trinitrotoluol, the cases being marked as follows:
>
> C: J. Kobe. Highly Explosive 80 percent Trinitrotoluout; 45 lbs.
>
> T: C
>
> Made by E. I. du Pont de Nemours & Co., Wilmington, Del.
>
> It was sold apparently to the Kanai Shoten, of Tokyo, and by this company shipped (re-sold) to the Manshu Kozan Kayaka Kabushiki Kaisha (Manshu Kwozan Kawyaku Kubushiki Kaisha ?), the Manchusia Mining Explosives Co., at Antung, Manchuria. (Antung is one the Chinese side of the Yalu River just across the border from Korea and this company has an explosives works there.)
>
> The shipment was made per steamer Toryu Maru, but although this vessel did go to Antung, nevertheless the TNT was landed at Chinnampo, Korea, and sent by rail to Antung and Moukden. There is a Chinese customs house at Antung, and when the shipment arrived the Japanese consul certified that this TNT was for industrial purposes. I am informed that the documents contained the following statement: "Dyestuffs (trinitrotoluol) for dyeing powder."
>
> I believe that the State Department is fully informed of all the circumstances in connection with this shipment.

Major, it seem what actually happened to that powder is what the presumption raised by the correspondence with China-Japan Trading Co. would lead you to believe would happen, putting it in fake containers?

Mr. **Casey**. I don't think so. We relied on the integrity of a concern that had a very high rating, and when they explained to us, not knowing anything about the Chinese language, or anything else, that in going to Korea bandits seeing the word "explosives" would promptly grab them, we believed it. If they were marked "trinitrotoluol" they could get away with it, but we had to mark the things with the sign "explosives" and "dangerous" in accordance with the I. C. C. regulations, and, of course, I guess, pretty well all over the world the sign "explosives" as called for in this country is pretty well recognized as a box containing explosives and they know what it means, whether they can read English or not. But, as I say, when we discovered what happened, that was the last of it. We admit we had one put over on us.

Senator **Clark**. So that you actually shipped 40 tons of TNT?

Mr. **Casey**. I believe we did. In other words, you see this letter was written on the 28th and we had a shipment that went out in June. Now, it takes just about a month for a letter to go from China over here.

Senator Clark. I will read further from this letter of Captain Gillis on the second page:

> I have obtained further particulars with reference to the explosives supplied by the Norsk Spraengstofindustri, as follows:
>
> The shipment was made direct from Norway per a Norwegian steamer, and the passage out to China was via the Cape of Good Hope, and not through the Suez Canal, and no stops were made en route, a direct through trip to Newchwang (Manchuria), where the explosives were landed.
>
> They were: 4,173 cases (25 kilos net) of 7.9 m/m rifle ballistite; 544 cases (25 kilos net) of Browning ballistite; 1,270 cases (25 kilos net) of 75 m/m field-gun ballistite; 100 cases (66 pounds net) of black powder; 3,139 cases (100 kilos net) of trinitrotolnol, which makes roughly, say, 150 tons of ballistite, 300 tons of trinitrotolnol, and 3 tons of black powder. The black powder is said to have been made in England, the TNT in Sweden, and the ballistite in Norway.
>
> I had a talk with the seller, Mr. A. L. Gran, and he didn't hesitate to let me know what he had been doing, although most of the particulars that I have given were obtained from other sources. He stated that the American Government had protested to the Norwegian Government about the shipment, but that the latter had replied that although sympathetic with the embargo arrangement and willing to become a party to it, yet they could not consider doing so unless all manufacturing countries entered into an agreement, for otherwise all they would be doing would be to deprive their own nationals from doing business while other nationals were assisted and aided in by their governments. That Norway was not a party to the arms-embargo agreement, and hence was disinclined to interfere with the legitimate trade of her nationals.
>
> It is hardly necessary for me to inform you that all of this business I could have had, as it was offered to me before taken up with Mr. Gran. Now that the Moukden arsenal has begun to use these Norwegian explosives and gotten into friendly relations with Mr. Gran it will be very difficult for us to compete, even if the embargo is lifted by the American Government. So much for futile altruism.

Now, what do you suppose he was complaining about futile altruism for?

Mr. Casey. I guess at that time Gillis, the man on the job, seeing what was going on all around him, felt that the American Government was becoming a little altruistic and not realistic.

Senator Clark. You think the American Government was becoming a little altruistic in not wanting to have its nationals export munitions for blowing up these Chinese people?

Mr. Casey. Or at least not protesting to these other governments that were violating the embargo.

Senator Clark. He set forth that the United States had protested.

Mr. Casey. He said they did; yes.

Senator Clark (reading):

> Another shipment of military supplies may be of interest to you, and this is one made by the Italians to Chang Tso-lin of 16,000 7.9 m/m Mauser rifles, and 28,000,000 cartridges. These arrived at Newchwang at the end of April a few days before the explosives referred to above.
>
> As far as I can learn, these rifles and ammunition were captured from the Austrians by the Italians, sold by the government to a private firm for resale in China. In other words, the Italian Government is practically a party to the transaction.
>
> I have learned that the cartridges are very defective, and that about one in four only is good. They were manufactured (some of them) as far back as 1915, and the greater part of them came from the Spandau arsenal.
>
> The prices paid for the whole lot is said to be six millions local currency (about $3,250,000 gold), and all but $200,000 LC has been paid over, so friend Chang Tso-lin has been badly "stung" in this case apparently.

Senator CLARK. When did you cease dealing with the China & Japan Trading Co.?

Mr. CASEY. After we got Mr. Gillis' letter.

Senator CLARK. You never have had any transactions since?

Mr. CASEY. Not the slightest.

Senator CLARK. Now, Major, in view of Captain Gillis' reference to the futile altruism of the United States Government, it seems to be a little beside the point, because it seems to be demonstrated here in the record that it is perfectly possible to ship to any part of China, which was done by the China & Japan Trading Co.

Mr. CASEY. We did not want to do it that way, Senator.

Senator CLARK. I hope you have not been putting any more false containers on, Major.

Mr. LAMMOT DU PONT. Senator, that was not a false container.

Senator CLARK. Major Casey's letter indicated it was.

Mr. LAMMOT DU PONT. The difference between the two was with respect to I. C. C. regulations.

Senator CLARK. All right, but you say the container could be very readily removed.

Mr. LAMMOT DU PONT. But that did not make it false.

Senator CLARK. It was not the real container.

Mr. LAMMOT DU PONT. It was properly marked.

Senator CLARK. I am going to read for the record, without any application to this particular company, but showing the situation in China, and showing this whole violation of this embargo in all parts of the world, an excerpt from a book entitled "Tortured China", by Hallett Abend, chapter 1, pages 6 and 7 [reading]:

> Now add to this picture of an imaginary United States a rabble of ignorant armed men about 2,500,000 strong, any unit of which will fight for any faction or any cause at the bidding of any commander who, by hook or crook, can raise enough money to feed and clothe them and occasionally give them a few silver coins.
>
> Dredge most of these commanders from the depths of society, put into the hands of these ignorant but crafty, rapacious, ambitious, and unscrupulous commanders the power of life and death over the populations of the regions they control, imagine the unarmed populations helpless and cowed to the point of meekly enduring confiscations, duplicated taxes, corrupt or craven magistrates.
>
> In order to make this picture of the imaginary United States conform even more closely to the actual China of today one must, further, imagine nearly one-tenth of the population living perpetually below the line of proper nourishment; one must envision annual droughts and floods affecting large areas, and vast inaccessible districts in which millions of human beings have killed and eaten all the livestock and even the dogs, and now subsist largely upon roots and grasses, leaves, and the bark of trees.
>
> Then, in imagination, place at Washington, on the Potomac, instead of at Nanking, on the Yangtsze, a body of men trying to govern this enormous area of affliction. Picture this Government being continually forced to wage one war after another in order to continue even a precarious existence. Vision about nineteen-twentieths of this Government's revenues being expended for military purposes and for interest on foreign loans.

Now, from the reports of your agents in China, and from the information gathered by Mr. Bates on his trip to China, would you say that was a fair picture of China?

Mr. CASEY. I have not read this identical document, but I have read other things along the same line.

Senator Clark. That is fair as far as conditions there are concerned?

Mr. Irénée du Pont. Mr. Senator, wasn't that also true before this embargo was put on? It seems to me in my childhood I remember an old aunt begging money to send to the Chinese.

Senator Clark. It has never been shown that conditions in China before this internal civil war were similar to that.

Mr. Irénée du Pont. I was not speaking of the war. I mean the starvation due to floods and so forth.

Senator Clark. Just a minute, Mr. du Pont—since the large armies are made up of men, men that were formerly ordinary bandits, by the purchase of modern munitions of war, do you mean to say that conditions in China were comparable to what they are today? That was read for the purpose of illustrating that point. Now, Mr. du Pont, do you feel, and I am asking for your viewpoint, that in persisting in attempting to export munitions of war to China and to build powder plants in China, that in shipping munitions to any war lord in China who might happen to want them, as you would be permitted to do without an embargo, that that was necessary to keeping your powder plants up to capacity and training your personnel for the help of American preparedness?

Mr. Irénée du Pont. I think if we are permitted to ship to the recognized Chinese Government that it might be very beneficial to both China and ourselves, but I never took any particular interest in the subject, seeing that we had one order in 14 years from China, from 1914 to 1928, and it was not a very large or important order, at that. I think we probably just about cleared expenses in that time. It certainly was not anything to occupy my attention, especially, as there was a war on in the early part of the period in Europe, and it was very important for our future.

Senator Clark. Of course, I have been considering the period after the conclusion of the World War, almost exclusively. Perhaps I should have asked Mr. Casey the question, because the file shows that he, as your representative, was very much concerned about the matter of Chinese business.

Mr. Casey. Wasn't that my job after the war?

Senator Clark. What is that?

Mr. Casey. To try to sell powder to a legitimate user.

Senator Clark. That is exactly what I am coming to, Major—the nature of the business.

Mr. Casey. Coming to China, let us assume the embargo would have been lifted, there would have been only one place there to ship to, that would have been the recognized Government.

Senator Clark. If the embargo had been lifted?

Mr. Casey. Yes.

Senator Clark. You could have shipped to any part of China, could you not?

Mr. Casey. We could have.

Senator Clark. Without an embargo you could have shipped.

Mr. Casey. Let us assume there was an absolute embargo.

Senator Clark. You mean the absence of an embargo where you could have shipped any place.

Mr. Casey. Yes. We deal with the recognized governments.

Senator Clark. I am not speaking of that, but if there had been no embargo, any ammunition manufacturer in the world who wanted to could have shipped to any port in China that he chose, and the ammunition would necessarily have fallen into the hands of a particular war lord, as they are called, who happened to control that port.

Mr. Casey. I think it is all in that one sentence of yours; you say, "any manufacturer who wanted to."

Senator Clark. You say you do not want to, but the evidence shows your goods did land in Chang Tso-lin's arsenal in Moukden.

Mr. Casey. But we never had the slightest idea of any such an intention.

Senator Clark. I understand, but I notice that at least to the extent of the false marking of the containers.

Mr. Casey. That seems to be a legal definition.

Senator Clark. Which led straight to Chang Tso-lin's arsenal at Moukden.

Mr. Lammot du Pont. May I call your attention again to the fact that that was not false marking.

Senator Clark. That is a question on which we, apparently, do not agree on the facts. Major Casey's letter shows it was the purpose to put a container on the outside, and the real container marked in a different way, which could be removed at sea or elsewhere. You object to the use of the word "false." I prefer to use the word "false", if I please, because that is the effect the whole transaction has on me.

Mr. Irénée du Pont. The requirements of the Interstate Commerce Commission are specific for the transportation of explosives, and require that explosives be marked "Dangerous." If that had not been on every box we could have perfectly properly marked them.

Senator Clark. Under the law in the United States they have to be shipped a certain way, but for a half a cent a pound additional we will fix it so that you can change this thing.

Mr. Irénée du Pont. That is the cost of double package.

Senator Clark. Yes; precisely.

Now, I offer for proper marking a letter dated May 23, 1925, from Major Casey to I. V. Gillis, Peking, China.

(The letter referred to was marked "Exhibit No. 876" and appears in full in the text.)

Senator Clark (reading):

Dear Sir: Your reports for the months of January, February, and March have been received.

You are undoubtedly aware that Mr. Van Antwerp MacMurray has been appointed Ambassador to China. During the past year and a half we have had occasion to discuss the Chinese embargo with Mr. MacMurray, who informed us that he knew you very well and was very pleased to receive your comments on the situation. We have no doubt that Mr. MacMurray tried to get our State Department to take some action based on the facts reported by you, but nothing was ever accomplished. Mr. MacMurray will be able to explain in detail to you the position taken by the State Department in reference to the Chinese embargo on powder and munitions.

A few months ago we appointed Mr. H. H. Ibusuki as our agent for military products in Japan. This gentleman was formerly associated with the Kawasaki Kisen Kaisha (Kawasaki Steamship Co., Ltd.) in New York, and through his connections in Tokyo, he was led to believe that there was an opportunity for making sales of military propellants to the Japanese Government. He sailed from the States on April 10 and will probably begin operations in Tokyo about June 1.

We are giving you this information so that you will be fully versed regarding our efforts to sell military propellants in the Orient.

Very truly yours,

K. K. V. CASEY, *Director.*

Now I will read and offer for proper marking a letter from Mr. Ibusuki, dated Tokyo, October 22, 1925, to Major Casey, marked "confidential."

(The letter referred to was marked "Exhibit No. 877" and is included in the appendix on p. 2374.)

Senator CLARK (reading):

> DEAR SIR: We beg to acknowledge receipt of your letter of the 29th ultimo, from which we precisely understood that you cannot quote on nitroglycerine powder without specification. We are quite aware of your difficulty. However, you must have observed our fixed position from the report the writer mailed from Moukden, Manchuria, some time ago.
>
> We have also received your cable reply in response to our cable of yesterday, as confirmation copies herein enclosed respectively. We are somewhat discouraged that we cannot have a definite information until the 29th instant, though we realize the difficulties in locating 30 thousands of second-hand rifles.
>
> As you might have surmised, the uproaring condition prevailing all over China, transportation became much harder due to interference of the powers, especially Japan—

Mr. Ibusuki did not seem to have the same idea as to the Japanese attitude in regard to the violation of this embargo as your other agent, did he, Major?

Mr. CASEY. Apparently not.

Senator CLARK (reading):

> According to the paper, one of the generals under command of Marshal Chang is marching toward south, posting about 25 hundreds of Russian infantry on the first line. This may sound very odd, yet there is a possibility of such thing in that mysterious country. Under these considerations, we are afraid very much that Russians, in cooperation with Germans, may furnish all necessary materials to them, taking advantage of Siberian Railway.
>
> So far as present observation concerns, the Central Government will win the war, and after that you will have an opportunity to establish a corporation under your name, if you wish, to manufacture both propellant and explosive in Manchuria which means tremendous profit to you. The Governor of Moukden expressed his desire to that effect—

Then this is blurred, and then there is a star which indicates a pencil marking.

> We shall be pleased to hear your opinion about this matter so that we can negotiate with them when chance comes in accordance to your direction.

That would indicate that Mr. Ibusuki was your agent in China as well as Japan.

Mr. CASEY. No; he was not. We made a definite contract with Ibusuki for Japan. At the time that contract was signed we also said this: "If you are successful, if later on the embargo should be lifted, which would permit us to sell in Manchuria, then we might at that time consider giving you, or agree to give you, the agency for that territory", and I think we went on to say likewise if the situation changes in eastern Siberia, that is, Asiatic Russia, that might also be considered. Now, that was at the time of the contract.

That is the first thing we heard that he had been in Manchuria, that he was contemplating—that he would alter his plans if the embargo was lifted. His father was a Japanese baron. That I never had occasion to verify, but Captain Gillis likewise reported to us at this time that he thought we were mistaken in Ibusuki. I think you have a letter to that effect, but, at any rate, nothing ever happened to Ibusuki because I believe a little while after that he either committed suicide or was assassinated.

Senator CLARK. You mean your agent was assassinated, or his father?

Mr. CASEY. No; Ibusuki himself, the agent. That was the last we ever heard of him.

Senator CLARK. In other words, this communication I just read was the last you ever heard of him?

Mr. CASEY. I do not think this particular one was the last.

Senator CLARK. He was evidently trying to sell goods for you in China.

Mr. CASEY. I never knew whether he was openly trying to sell or laying plans to sell with the hope that if the embargo ever lifted we would give him the agency. We never had agreed to give it to him.

Senator CLARK. He says in this letter, Major, that he is disappointed that you cannot quote him on nitroglycerin powder. He says:

> However, you must observe our fixed position from the report the writer mailed from Moukden, Manchuria.

Then he goes on, and there was apparently some cable correspondence he had with you. The third sentence of the second paragraph reveals he was disappointed, you were not able to give him an answer until the 29th, because he said the people who wanted them were in a hurry, they were going south with 25,000 Russians in the front line.

Mr. CASEY. He was apparently asking us to do something that was not our business.

Senator CLARK. I understand; but he said he had a cable from you the day before. This letter was dated October 22, and he said:

> We are somewhat discouraged that we cannot have definite information until the 29th instant, though we realize the difficulties in locating 30,000 of second-hand rifles.

Had you told him you would try to locate 30,000 rifles?

Mr. CASEY. We may have told him that whether or not there was such a source of supply. I do not think there could have been in the country at that time.

Senator CLARK. I realize you do not manufacture rifles, but those rifles, obviously, only could have been exported to Manchuria, which was also a violation of the embargo.

Mr. CASEY. We would not have handled any rifle transaction.

Senator CLARK. That is the reason I was surprised that you did not give him an immediate answer when he cabled back, but told him you would answer on the 29th.

Mr. CASEY. Is there a record here of our reply?

Senator CLARK. I have not any record of a reply, have you, Mr. Raushenbush?

Mr. RAUSHENBUSH. I do not think we have any.

Mr. CASEY. I do not know of any.

Senator CLARK. The situation is very clearly explained within the second paragraph of this letter:

> We have also received your cable reply in response to our cable of yesterday as confirmation copies herein enclosed, respectively. We are somewhat discouraged that we cannot have a definite information until the 29th instant, but we realize the difficulty in locating 30,000 second-hand rifles.

Mr. CASEY. Yes.

Senator CLARK. Now, he very clearly indicates that he had cabled you on the preceding day asking you for 30,000 standard second-hand rifles, and you had cabled him back you could not cable him until the 29th. Obviously, those rifles would have had to have been exported to Manchuria if they were exported at all.

Mr. CASEY. Have you got a copy of that contract with Ibusuki?

Senator CLARK. I have your letter to Gillis about it. That is the only thing I have on it.

Mr. CASEY. It clearly states in there that it is for Japan only, and also in the memorandum that he was not to go beyond Japan.

Senator CLARK. Now, Captain Gillis got the information on Ibusuki's activities there; he was predicting what would happen, because on June 30, 1925, which I offer for proper marking, he wrote you at Peking.

(The letter referred to was marked "Exhibit No. 878", and is included in the appendix on p. 2375.)

Senator CLARK. The last paragraph of that letter said in reference to the representation in Japan:

> I note that you have appointed H. H. Ibusuki as your agent there. I would ask what arrangements you have made with him should he be able to do business in China? It is more than probable that he will be able to arrange purchases for the Chinese military people through a dummy purchaser in Japan, and then ship to China from Japan, as the Japanese authorities are more than inclined to disregard the embargo and "wink" at such transactions. Have you arranged to protect me in such cases in my own territory? In connection with this question, please note the shipment of TNT to Moukden via Japan that I reported fully upon in my letter dated the 28th of May.

He evidently thought that the shipment of TNT to Moukden was a transaction of that character.

Mr. CASEY. He may have thought that. Here is the memorandum. The agency agreement with Ibusuki and the very last paragraph states:

> We cannot make any agreements regarding the sale of military powders to China because of the existing embargo. However, if the embargo is lifted within the period of this agreement, we will extend Mr. Ibusuki's territory to include China, and, likewise, if the U. S. Government establishes domestic relations with Siberia or Asiatic Russia, we will offer Mr. Ibusuki an agency agreement in said countries.

Now, there is a positive statement.

Senator CLARK. Let me look at that a minute, will you. Major, let me ask you this. You say, "We cannot make any agreement regarding the sale of military powder to China because of the existing embargo", but you did have an agreement made with Captain Gillis in regard to that?

Mr. Casey. Yes; but that was a direct proposition. We had no intention of having a contract or agreement with Ibusuki where it would be for Japan and then go on into China.

Mr. Casey. It states in the very first paragraph of the contract that the du Pont Co. appoints Mr. Ibusuki its exclusive agent for the sale of military propellants and military explosives in Japan, and Mr. Ibusuki agrees to devote his entire time to the sale of such propellants and explosives in Japan, together with any other products for which the du Pont Co. may give him the sales agency. I think that is perfectly clear.

Senator Clark. That does not correspond with this.

> Mr. Ibusuki agrees to devote his time solely to the sale of our military products, together with any other products for which the du Pont Co. may give him the sales agency in Japan.

Mr. Casey. That is the same as in here.

Senator Clark. You read " is to devote his time solely to the sale of military products in Japan."

Mr. Casey. This is the memorandum.

Senator Clark. I understand. I wanted to find out which was the correct wording.

Mr. Casey. Naturally the contract is the correct wording.

Senator Clark. Do you have the contract there?

Mr. Casey. Yes; we will be glad to put it in the record if it is not too long.

Senator Clark. It may be marked as an exhibit.

Mr. Casey. That is what I mean, marked as an exhibit. If you will give it an identification number we will be glad to mark it as an exhibit. We would like to have this one also.

Senator Clark. Which one?

Mr. Casey. The memorandum is the basis for the preparation of the contract. Mark the memorandum 879 and the contract 880.

(The memorandum referred to was marked "Exhibit No. 879", and is included in the appendix on p. 2376.)

(The contract referred to is marked " Exhibit No. 880", and is included in the appendix on p. 2376.)

Mr. Raushenbush. Is there any difference between these two?

Mr. Casey. This is expressed in legal form.

Senator Clark. The words are simply transposed in the sentence.

Mr. Raushenbush. It says here he is to devote his entire time to Japan, and the facts are that the first thing he did was to go over to Manchuria. So, he was the fellow that was breaking the contract, evidently.

Senator Clark. Well, that would appear——

Mr. Casey. Yes.

Senator Clark. Did you ever have any further transactions with Ibusuki after this letter I have read?

Mr. Casey. There may have been some further correspondence, but, as I say, we never heard a word from him——

Senator Clark. How long after he cabled you for 30,000 standard arms was the last communication from him?

Mr. Casey. I could not recite that from memory.

Senator Clark. Just generally?

Mr. Casey. After that we had wondered several times what happened to Ibusuki. Then the next we heard he was dead. He had killed himself or somebody had assassinated him.

Senator Clark. So that you never had a chance to make the tremendous profits suggested by Ibusuki in his letters?

Mr. Casey. No.

Senator Clark. Captain Gillis was, apparently, very much dissatisfied with the conduct of Senator Borah at that time. Do you know what Senator Borah had done to displease Captain Gillis?

Mr. Casey. I do not know.

Senator Clark. Was that with reference to his efforts to prevent the shipment of munitions to China?

Mr. Casey. I have not the slightest idea.

Senator Clark. What impression did it make on you when you read this in "Exhibit No. 878":

> We have enough to contend with here, but when to our local difficulties are added the vaporings of such people as Borah at home it is just a little too much. He may be a very clever politician, but if his other activities as a statesman and the chairman of the Foreign Relations Committee of the Senate are based on no sounder knowledge than that that he apparently has of China and the situation then may the good Lord help us in our foreign affairs. Balaam's ass seems to have been able to talk a little sense, but this one seems to be entirely lacking in knowledge as far as China and the present situation out here is concerned, and it is apparently a case of "shooting off his mouth" for political effect, but it has certainly done us much harm.

Do you know to what particular conduct of Senator Borah's he refers?

Mr. Casey. I do not know. I do not think I would be the one to judge, anyway.

Mr. Raushenbush. That was about the time the convention in Geneva on arms control traffic was ending, in June 1925.

Mr. Casey. Do you remember the speech which was referred to?

Mr. Raushenbush. No; I do not. I am just trying to locate it by date.

Mr. Irénée du Pont. Mr. Chairman, I was warned yesterday to the effect that if we did not put objection into the record, it might be construed as being the opinion of the du Pont Co. I think I have authority in this case to say that the du Pont Co. does not hold any brief for those sentiments expressed there.

Senator Clark. Very well, Mr. du Pont; that disclaimer may go into the record.

Mr. Raushenbush. Major Casey, in connection with this possibility that you would let your Japanese agent go into eastern Asia, meaning Siberia, I take it, was that in connection, by any chance, with the counterrevolutionary activities that were going on there at that time?

Mr. Casey. I do not think so. It was a question which depended entirely on the action of the United States Government, and we so stated in the memorandum.

Mr. Raushenbush. You were aware of those activities in Siberia at that time, which were supposed to change the political map even more than an embargo could have done?

Mr. Casey. There were a lot of rumors, but I was not aware of it.

Senator Clark. Now, Major, I will read an excerpt from a report of your Captain Gillis, under date of October 8, 1926, addressed to you, which I will ask be given the appropriate number.

(The document referred to was marked "Exhibit No. 881" and appears in full in the text.)

Senator Clark. I will read from page 2 of that document, being an excerpt, beginning with the paragraph on Moukden Arsenal. [Reading:]

> I made a trip last week to Moukden and not having been there for several years was absolutely astounded at what has been done in the way of setting up an enormous military establishment. My time was limited, so it was impossible for me to obtain permission to visit the arsenal and other places, but I did drive around in a motorcar and view them from the outside and get a fair idea of their extent. I drove along an excellent road extending along the wall of the main arsenal, and I am confident when I state that it is certainly not less than a mile in length that I am not exaggerating. Building after building—and more being erected—and all of modern construction. I was able to visit one group of buildings that are about completed and had a chance to inspect them and a portion of the machinery that is to be installed in them. This factory is to be used in the making of trench mortars and shells for the same; I was informed that the capacity would be about 6 mortars and 2,000 shell a day. It is in charge of a General Sutton (British), who is on Chang Tso-Lin's staff. Another factory for the same purpose is to be set up at Tientsin, I am told. It seems that quite a good many foreigners are employed in the arsenal, most being Scandinavians, with some French and Swiss, as well as Russians.
>
> Moukden is full of representatives of foreign firms, as well as Chinese, doing business with the arsenal, many of whom I met at the club; and equipment of all kinds is being supplied in large quantities.

Apparently there was one American representative there when he was writing this letter. [Continuing reading:]

> The embargo means absolutely nothing at all to the parties to it except to the British and ourselves. The French openly supply military airplanes and are practically running the aviation department at Moukden. Personally, I saw equipment captured from Feng Yu-hsiang's forces, Italian antiaircraft guns, and Russian field and mountain guns. Explosives of all kinds come out from Europe, this business being chiefly in the hands of a Norwegian named A. L. Gran, whom I know very well. Japanese firms supply a certain amount, but Gran does most of the business. All of this I could have had if it were not for the embargo, and it certainly "gets my goat" to have to sit here with my hands tied and see others getting this business which might be ours. I say "damn" and worse than that inwardly about every day.

What was Gillis doing up in Moukden, Major? Do you know? That was not the recognized government at that time.

Mr. Casey. Neither was any other part of China.

Senator Clark. The Peking Government was recognized.

Mr. Casey. Not in 1926. I mean, as far as an embargo was concerned. There was an embargo all over China.

Senator Clark. I understand, but you have stated several times that you did not want to do business with anybody except the recognized government.

Mr. Casey. He did not go up there to get business but to inspect this business. He probably heard a lot about it. There was a lot in the newspapers about the tremendous arsenal being built there.

Senator, you know, in connection with that, you want to realize I do not know how many of the original companies in that one group still continued Gillis on their pay roll, nor do I know what other companies he represented. You will remember in one of the letters he referred to an opportunity to sell airplanes, and there was not one in that group making airplanes, so that that indicates very clearly that he also represented perhaps a great many different companies.

Senator CLARK. That may be true.

Now, showing what the situation was in China at this time, I read from "Exhibit No. 860", previously introduced, which is this history furnished by the Foreign Policy Association, a brief extract on page 2, the last paragraph [reading]:

> 2. Kuomintang's northern expedition (June 1926 to December 1928):
>
> A. Reorganization of Kuomintang (1924–26) with Soviet aid. Consolidation of control in Kwangtung and Kwangsi Provinces. Efficient organization, revolutionary spirit, fighting plan, appeal for popular support account for rapid victories beginning in 1926.
>
> B. June 1926: Kuomintang launches campaign against the northern militarists from Canton. At this time Wu Pei-fu controlled provinces north and south of Hankow (Honan, Hupeh, Hunan); Sun Chuan-fang controlled provinces around Shanghai (Fukien, Kiangsi, Chekiang, Kiangsu, Anhwei); Chang Tso-lin controlled Manchuria and north China provinces (Chihli and Shantung).
>
> C. Warfare (June–September 1926) against Wu Pei-fu forces in Human and Hypeh Provinces. Kuomintang cuts Wu Pei-fu's forces to pieces. Successively captures Changsha (July 13), Hanyang (Sept. 6), Hankow (Sept. 8), Wuchang (Oct. 11).
>
> D. Warfare (July 1926 to March 1927) against Sun Chuan-fang's forces. Chiang Kai-shek (Kuomintang commander) defeats Sun Chuan-fang in Kiangsi, Fukien, Chekiang, and Kiangsu Provinces. Successively captures Nanchang (November 1926), Hangchow (Feb. 18, 1927), Shanghai (Mar. 22, 1927).
>
> E. Chiang Kai-shek breaks with Kuomintang leaders at Hankow. Organizes Nanking Government (Apr. 18, 1927).
>
> F. Fighting (May–June 1927) by Hankow Kuomintang forces against Chang Tso-lin's forces in Honan Province. Tank Sheng-chih (Hankow Kuomintang general) and Feng Yü-hsiang (comes in from west to join Kuomintang) defeat Chang Tso-lin's forces in severest fighting of whole northern campaign. After his defeat Chang Tso-lin withdraws to Peking and reorganizes the Peking Government (June 18, 1927). This remains the Government recognized by the Powers until June 1928.

Now, I read to you from Captain Gillis' report, offered for appropriate number, being dated December 10, 1926.

(The report referred to was marked "Exhibit No. 882" and is included in the appendix on p. 2378.)

Senator CLARK. The second paragraph of that letter states [reading]:

> Financial conditions: I can say nothing different than what I have been telling you in all my recent reports—an empty treasury; government officials. teachers, and others not paid for months and months; every available cent is grabbed by the military officials for their endless squabbles and to line their own pockets and build mansions in the foreign concessions to serve as funk holes in time of trouble. I am sending you herewith a clipping as to taxes in Shantung Province, which will give you an idea of how the military squeeze the people of this poor country, and the same goes on all over the country from one end to the other—no province or district is exempt from these illegal exactions. I also enclose a circular letter relating to an illegal tax imposed right here in Peking under the very noses of the supine diplomatic corps.

I also read from the same report, in connection with this very tragic picture which Captain Gillis is painting, the following:

> The violations of the embargo go merrily on, and I send you a couple of recent clippings on the subject. Our friend M. Briand must have had his tongue in his cheek when he said that France was loyally and without default complying with France's international obligation. Not a single one of the airplanes sold by France to Chang Tso-lin is being used for other than military

> purposes as far as I know, and only this morning the newspaper recorded that no less than 40 of Chang Tso-lin's airplanes have been ordered to proceed south via the Peking Hankow Railway. My information is that every one of these planes came from France.

Now, did the reading of these reports give you gentlemen any feeling of pity whatever for this war-torn people?

Mr. IRÉNÉE DU PONT. Mr. Chairman, I would like to answer that question.

Senator CLARK. I would be glad to have you do so, Mr. du Pont.

Mr. IRÉNÉE DU PONT. I have a great deal of pity for this war-torn people and I am perfectly satisfied in my own mind that the munitions embargo, or the lack of embargo, is not at the bottom of the trouble.

I refer to Caesar's Commentaries on the Gallic Wars and call your attention to the fact that at that time there were no such munitions of war. Genghis Khan came a little later on and wiped out great populations of Europe, and they had no munitions of war, fighting with spears and knives. Warfare seems to me to be some human devil. It has nothing to do with the munitions manufacturer. We have had it from the earliest history, and your idea that an embargo which was broken caused the warfare seems to me absurd, where we have no embargo in other nations.

Senator CLARK. You are putting words in my mouth which I did not use when you say that.

Mr. IRÉNÉE DU PONT. I beg your pardon. The inference from what you have been reading into the record might be drawn to that effect, and that the breaking of the embargo in the case of China has been responsible for the terrible suffering in China.

Senator CLARK. I said the furnishing of munitions, legally or illegally, in effect had been a tremendous contributing cause to that condition.

Mr. IRÉNÉE DU PONT. You can step across the Japanese Sea to Japan, where there is no embargo and where it goes free, and that condition does not exist. Why the difference? It certainly cannot be munitions. Japan is very well provided with munitions. China is apparently poorly provided with them and must bootleg the stuff. The aggregate of those must be trifling for a population of 400,000,000.

Senator CLARK. It would not appear so from these reports.

Mr. IRÉNÉE DU PONT. You cannot aggregate those and come to any conclusion but that it is trifling compared with the World War. It was about 1,000 airplanes. How many airplanes has Germany today? How can you control Germany or control what she is making? It is utterly impossible in connection with a country of 60,000,000 people, who have been badly treated and never really conquered, and you cannot expect that they are going to sit down and remain unarmed, so that they cannot protect themselves in the event of war.

I think this committee will do a great service if they concentrate on the objective to eliminate war, and I am 100 percent for that, and I am sure that all the other people in the du Pont Co. are for it, likewise.

Senator CLARK. Mr. du Pont, this committee was not designed to function by the Senate of the United States in attempting to prevent war, although, of course, that is an aim which I am sure all good citizens have. This committee has been assigned the duty of conducting an investigation into certain things which are almost universally believed to be the primary cause of war, and that is what we are attempting to do. We have nothing to do with the diplomacy to prevent it.

When you go back to Caesar's Commentaries and to the Gallic Wars, and say that because there was war in those barbaric days there will always be war, I do not think your premise is tenable. There was a feeling at one time that yellow fever and other accompaniments of barbarism could not be conquered, and yet civilization has brought about a great improvement or brought about the abolition of those conditions. I do not believe it is proper to say that because there always have been wars, it will be necessary to have wars. We are examining into the question now as to whether the manufacture of private munitions is a chief contribution to war.

Mr. Irénée du Pont. That is very edifying to try to find out. My suggestion is that this committee has been vested with very great power, and what you say will go all over the world. If you could work out a scheme to eliminate war, it is fine. If munitions are a cause of war—and I do not think they are, for the reasons I gave you—that is fine; do away with munitions. But you should be sure that you are on the right track in trying to eliminate war. That is the big objective. You may not have been assigned to that particular duty, but your position of power makes it incumbent upon you, as a member of the American Senate, to use your power to obtain that very laudable objective.

Senator Clark. I will say, Mr. du Pont, that this committee, so far as may be pertinent to our investigation, may do something which will have to do with the abolition of war. What we are presently investigating is the question of whether or not an abundance of munitions is not a primary cause of war.

Without wanting to enter into any debate as to what should be the course of the investigation, personally I am convinced that the private manufacture of munitions, leading to a competitive race in armaments, is a primary cause of war.

I am not referring to your company, you understand, or the American munitions manufacturers in general, but I believe that this picture of China shows that the persistence of the munitions manufacturers, either the attempt to bootleg munitions, as has been shown here by the disgraceful conduct of the munitions manufacturers and many other countries, or even in attempting to break down the safeguards that the Government has felt proper to put on American munitions manufacturers up to date, has been a chief and contributing cause of the chaotic and disgraceful condition which exists in China.

That is simply my own opinion and it is a matter of opinion. You have stated yours and I have stated mine.

That is my personal opinion on the matter which I have expressed, and I assume that the du Ponts, as well as others, are free to do likewise.

Mr. Casey. Senator Clark, how many years have there been modern firearms in China?

Senator Clark. I could not answer that.

Mr. Casey. At the time of the Boxer uprising General Humphrey, who was the Quartermaster General of the A. E. F., brought back a tremendous assortment of weapons from China representing junk picked up all over the world, and including a great many Chinese-made copies, from which Chinese made these articles. That was in the twentieth century.

Senator CLARK. Of course, I understand that gunpowder was invented in China, Major.

Mr. CASEY. Going back before that, it is not so many years when bows and arrows were still used in China, and spears, and that is not so many years back. I think you will find that there were wars just the same.

Senator CLARK. Major, you do not mean——

Mr. CASEY. We did not have the rapid means of communication then.

Senator CLARK. Major, you do not mean that the wanderings of many scattered bands of brigands, which undoubtedly existed in China prior to the last 20 years, was comparable to the situation which exists today, with these great war lords exacting taxes from the masses of people, armed with military trains, airplanes, tanks, rapid-fire guns, heavy artillery, poison gas—all the modern accompaniments of war? You do not mean to compare the primitive state of unrest or disorder which went on in China in the last 20 years with a case where great armies are organized and drilled by Europeans or Americans, unfortunately in some cases, where they are conducting a state of constant civil war?

Mr. CASEY. But did not this condition of civil war originate when the Empire ceased?

Senator CLARK. How is that?

Mr. CASEY. Did not this condition of civil war originate when the Empire ceased?

Senator CLARK. Major, I do not profess to be a historian of China, but it is my impression that that situation began after the conclusion of the World War, when a great many munitions manufacturers around the world found themselves with an overexpansion of plant capacity, for which they had to find an outlet, which had been taken up in the World War.

Mr. IRÉNÉE DU PONT. Mr. Chairman, coincident with that period, did not we put an embargo on the Government of China, preventing them from getting equipment to equip their soldiers and to maintain order in their country? If the United States Militia, Army, police corps, and so forth, in this country had to bootleg material, they would bring in all sorts of weapons, and it would make for disorder here.

Senator CLARK. I think, Mr. du Pont, that the exhibit put in following the history of the embargo shows that condition was following that rather than preceding it.

Mr. RAUSHENBUSH. It went in in 1922.

Senator CLARK. It went in in 1922, which was 8 years after the World War; 8 years after the historical sketch.

Mr. IRÉNÉE DU PONT. Of course, the embargo on China made it very difficult for them to get any military supplies during the World War, 1914 to 1918.

Senator CLARK. There was no embargo then.

Mr. IRÉNÉE DU PONT. Not a legal one, but a practical one.

Senator CLARK. Countries wanted to kill their own nationals rather than the Chinese.

Mr. IRÉNÉE DU PONT. Precisely.

Senator CLARK. I will read you what Captain Gillis said in a letter under date of December 13, 1926, addressed to Mr. Casey, which I will offer for appropriate number.

(The letter referred to was marked "Exhibit No. 883" and is included in the appendix on p. 2379.)

Senator CLARK. I will read from the second page of that exhibit, as follows:

> You ask the names of corporations and individuals selling to China and the war lords munitions. This is not an easy question to answer, for most of the business is done very quietly in order not to cause undue comment, as well as prevent opponents from knowing what one is buying. Both A. L. Gran, a Norwegian, and the firm of Nielsen & Winther (Danish) have sold explosives in large quantities to Chang Tso-lin. I will endeavor, if possible, to ascertain other names, but it will not be easy.

The writer is evidently answering questions which you have put to him, Major. [Continuing reading:]

> (*b*) This is a question extremely difficult to answer, for not only are there no published customs statistics on the subject but much of the war material has been smuggled in. As to type, I can answer this partially by stating that rifles, pistols, and airplanes, together with the smaller caliber machine guns, antiaircraft guns, and field and mountain guns have all been imported; also, of course, explosives of all kinds. Small arms have come chiefly from Germany, Italy, and Japan. Explosives from Norway and Denmark, with a certain quantity from Germany. Airplanes chiefly from France. Antiaircraft guns from Italy. Feng Yu-hsiang's artillery from Russia. Chang Tso-lin has ample facilities for manufacturing his own artillery, and is increasing these facilities constantly. A few small tanks may have been imported, but I do not believe so, although there have been rumors to that effect.
>
> (*c*) These contracts are all negotiated with the individual "war lords" through local agents and arms dealers, and I do not believe that the "Central Government" (so called) has bought a single dollar's worth of munitions for several years past. These dealers generally have someone in close touch with the office of the "war lord" and thus keep informed of what is going on. It is a very lucrative business for all concerned, except the poor Chinese people who are taxed to the limit to pay for the munitions and the graft for all hands that goes with its purchase.

Now I will read from a document which I offer for appropriate number. This is an excerpt from a letter from Captain Gillis addressed to Major Casey under date of December 31, 1927. That will be entered in the record and appropriately numbered.

(The document referred to was marked "Exhibit No. 884" and appears in full in the text.)

Senator CLARK. This paragraph is headed "Embargo" and reads:

> On December 8 the military attaché submitted a long report to the War Department explaining in detail facts in connection with the arms embargo agreement and giving instances of its violation. A copy of this report has just been sent to the Department of Commerce by the commercial attaché, and I earnestly suggest that you endeavor to obtain access to these reports. For your private information, the commercial attaché suggests that you take the matter up with the Department of Commerce and not with the State Department. He believes that you will receive more sympathetic response from Mr. Hoover. In connection with this subject, I am sending you herewith a couple of clippings.

Did you ever take this subject up with the sympathetic Mr. Hoover?

Mr. CASEY. The only time I ever saw Mr. Hoover was at the meeting called on April 1, 1925.

Senator CLARK. You did not act on Captain Gillis' suggestion, or on what the commercial attaché conveyed to Captain Gillis?

Mr. CASEY. No.

Mr. RAUSHENBUSH. Who is there in the company who would take up that matter?

Mr. CASEY. It would be in my department, but I have no recollection that anybody took it up.

Mr. RAUSHENBUSH. In connection with these connections or relations with the du Pont Co., who handled that for the company?

Mr. CASEY. As I say, the only contact that was personally had, or anybody in my department had, was in connection with the meeting which originated with Mr. Hoover and which was on April 1, 1925.

Mr. RAUSHENBUSH. Could anybody else answer that question as to any contacts that the company had with the Department of Commerce? Were they handled through any individuals in the company, any particular ones?

Mr. LAMMOT DU PONT. I can say that various departments of the company have had contact with the Department of Commerce with respect to their own business.

Senator CLARK. What I am trying to get at, Mr. du Pont, is whether this suggestion from Captain Gillis was passed on by any other official of the company who would act on it.

Mr. LAMMOT DU PONT. I do not know.

Mr. CASEY. I do not believe so. They would not be free to do this because this is really in our own bailiwick, and we would have been the ones to have taken any action, if any action had been taken.

Senator CLARK. He was passing on a suggestion from the commercial attaché, a subordinate of Mr. Hoover, that Mr. Hoover was the proper one to approach.

Mr. CASEY. You want to realize, of course, that there is continual reference to Gillis as our man. He was very much split up.

Senator CLARK. You owned a portion of him, did you not, Major?

Mr. CASEY. Yes; but similar reports were sent to everybody on these general topics. Also I understood that he likewise communicated directly to Washington copies of his reports.

Mr. RAUSHENBUSH. Those mentioned there were about the six biggest armament companies in the country, were they not?

Mr. CASEY. Yes; that is, of a certain type. They represented primarily naval construction.

Senator VANDENBERG. May I interrupt a moment?

Senator CLARK. Yes, sir.

Senator VANDENBERG. Mr. Hoover's name has again entered the discussion, and I think for the completion of the record, supplemental to yesterday's hearing, it is appropriate that the United Press dispatch from Palo Alto, Calif., dated December 5, 1934, should be read into the record.[1]

It reads as follows:

PALO ALTO, CALIF., December 5 (UP).—The 1925 Conference of Sporting Arms Manufacturers called by former President Herbert Hoover when he was Secretary of Commerce and the subject of testimony in yesterday's session of the Senate Munitions Investigation "was called at the request of the Secretary of State", Mr. Hoover said today in a formal statement issued at his home.

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[1] Testimony regarding Mr. Hoover's Conference of Sporting Arms Manufacturers appears in Part IX, p. 2138 of these Hearings.

"The full report and details of the Conference of Sporting Arms Manufacturers which was called by myself as Secretary of Commerce in 1925 and yesterday referred to before the Senate Committee are no doubt in the State Department", the statement said.

"The conference was called at the request of the Secretary of State and for the purpose of giving a hearing to the manufacturers' views as to methods of discriminating between sporting arms on one hand and war arms on the other and such other proper protections as might be necessary to the American industry at an international convention then about to be held in Europe.

"This convention was for the purpose of limiting the international traffic in war arms. As a result of the negotiations an international treaty was secured controlling that traffic.

"It was signed by the United States. During 8 years, from 1925 to 1933, its ratification was held up by the Senate and probably is yet.

"That ratification was incessantly advocated by President Coolidge and myself and by Secretaries Kellogg and Stimson. As late as January 10, 1933, I again urged its ratification and called the attention of the Senate to the fact that it had now been ratified by a large number of other nations and that its failure of adoption in the world was largely because of the failure of the United States. I further recommended that pending the ratification of the treaty they should give immediate and further authority to the President to control such traffic from the United States."

Mr. IRÉNÉE DU PONT. Mr. Chairman, while that is fresh in mind, it seems to me that is quite at variance with the conclusions which Mr. Nye discussed yesterday evening in his speech before he left, in which he indicated that it was the munitions manufacturers which caused the failure of the Geneva conference and that we had taken the State Department into that position after taking the War Department and the Commerce Department. This indicates that that theory is entirely erroneous. The fact is we went down there at the invitation of the Commerce Department to give the information they desired, and we did so.

Senator VANDENBERG. Senator Nye can speak for himself with respect to his observations on the subject. This is chiefly important, it seems to me, as establishing the reason for the calling of the conference, and indicates that the Department of State was primarily responsible for the conference rather than the Department of Commerce. It seems to me that that is the importance of the statement.

I would like to submit one further supplemental piece of information growing out of this morning's discussion of the responsibility that rested somewhere for the enforcement of the Versailles Treaty.

Some question has arisen as to whether the United States did not also share that responsibility with the signatories to the various treaties. It is quite clear that the United States did not share any responsibility, of course, under the Versailles Treaty from 1919 to 1921. Our own treaty of peace with Germany, however, included specific reference to those parts of the Versailles Treaty which required limitation on German arms, including the operation of the interallied commission, of control to enforce the German limitations. To that extent the Government of the United States would share an indirect partnership in this responsibility. But I have just asked the State Department whether the United States has ever been represented subsequently on the interallied commission of control, and I am advised that the United States has not been thus represented. I take it that this indicates the rather tenuous nature of our responsibility.

Senator Clark. The next matter I desire to go into will take some time. This seems to be a convenient time to take a recess until 10 o'clock in the morning.

(At 4:30 p.m. the committee recessed to 10 a.m., Thursday, Dec. 6, 1934.)

INVESTIGATION OF MUNITIONS INDUSTRY

THURSDAY, DECEMBER 6, 1934

United States Senate,
Special Committee to
Investigate the Munitions Industry,
Washington, D. C.

The hearing was resumed at 10 a. m. in the Finance Committee room, Senate Office Building, pursuant to the taking of recess, Senator Bennett Champ Clark presiding.

Present: Senators Vandenberg, Barbour, George, Clark, Pope.

Present also: Stephen Raushenbush, secretary.

TESTIMONY OF K. K. V. CASEY AND IRÉNÉE DU PONT—Resumed

EVASION OF CHINESE EMBARGO BY SHIPMENT TO NEUTRAL COUNTRY

Senator Clark. The committee will come to order. The Chair would like to ask Mr. Raushenbush one or two questions apropos of a matter that came up yesterday in connection with a statement put in the record by Senator Vandenberg.

Mr. Raushenbush, as secretary of this committee, have you had an opportunity to investigate the State Department files with regard to the Geneva Conference?

Mr. Raushenbush. Mr. Chairman, at the direction of the committee, I asked the State Department to open to us their files in that connection, and they opened to me all their files, including their confidential files, on the matter.

Senator Clark. I will ask you, Mr. Raushenbush, whether you made a careful examination of those files on behalf of the committee?

Mr. Raushenbush. I believe I read all of those papers; yes, sir.

Senator Clark. Did you find any suggestion in the State Department files regarding the conference, which has heretofore been referred to in evidence, which was called by Secretary Hoover, then Secretary of Commerce?

Mr. Raushenbush. I found a report, which I believe was a mimeographed report, circulated by the munitions people following that conference to their people.

Senator Clark. My question did not exactly convey the meaning I intended. Did you find anything preliminary to that conference on the part of the State Department requesting such conference?

Mr. Raushenbush. No, sir; I did not.

Senator Clark. That is all. I thought it appropriate to put that in the record.

Major Casey, I call your attention now to a letter from W. H. O'Gorman, assistant director. Who was he?

Mr. Casey. He was my assistant.

Senator Clark. Your assistant?

Mr. Casey. Yes, sir; and, as mentioned the other day, now dead.

Senator Clark. How is that?

Mr. Casey. He is now dead.

Senator Clark. Yes, sir. This letter is addressed to Col. W. N. Taylor, which I ask to have marked for appropriate reference.

(The letter referred to was marked "Exhibit No. 885", and is included in the appendix on p. 2381.)

Senator Clark. I will read certain portions of it, and you are at liberty to read other portions [reading]:

> Receipt is acknowledged of your letter T–1352 of August 9 (subject, China), in which you advise us of the presence at The Hague of a Chinese commission representing the new Chinese Government which is receiving offers for munitions of all sorts and paying cash for such materials as they purchase.

Do you know what government in China that was?

Mr. Casey. I imagine that was the government referred to yesterday in that report you had here from the Foreign Policies Division.

Senator Clark. Well, there were several governments referred to here yesterday.

Mr. Casey. No; but they stated there was one government that became the Nanking government.

Senator Clark. Without taking up the time to check it up, I am under the impression that was the so-called "Nationalist Government."

Mr. Casey. Yes.

Senator Clark (reading):

> You ask us if we authorized to sell powder and high explosives to this commission in Holland for delivery direct to China, and we regret to advise you at the present time it is impossible for any American firm to sell munitions of any sort for delivery in China because of the Chinese arms embargo which was entered into under date of May 5, 1919, whereby the governments of Great Britain, Spain, Portugal, France, Japan agreed to restrain their nationals from exporting or importing arms and munitions into China until a Chinese Government was established which was recognized throughout the entire country. This treaty was subsequently ratified by the Netherlands, Denmark, Belgium, and Italy, as well as other minor countries which do not manufacture or export munitions, but was never entered into by Norway, Sweden, Germany, Austria. and other countries which do manufacture and export.

Passing over to the first paragraph on the second page [reading]:

> It may be well to invite your attention to the fact that we maintained for several years a correspondent at Pekin who was a former officer in the United States service and who would have been capable of securing us gratifying orders had the laws of the United States permitted us to export. Our agreement with this gentleman was terminated only last March, with the understanding, however, that should circumstances make it desirable to have a representative in China we would be glad to reopen negotiations with him.
>
> It may be well to add further that a joint resolution of both Houses of Congress approved January 31, 1922, grants authority to the President of the United States to issue a proclamation prohibiting the exportation of arms and munitions to any American country or any country in which the United States exercises extraterritorial jurisdiction and should the extraterritorial jurisdiction be abrogated in China there would be no strictly legal method whereby the export could be stopped, but the above resolution has frequently been twisted to apply to matters beyond its intended scope and we are inclined to think that the State Department would withhold export permits to China.

Now, Major, do you know how the State Department had put this resolution beyond its intended scope?

Mr. Casey. I have not the slightest idea.

Senator Clark. You do not know what Mr. O'Gorman, your assistant, was talking about there?

Mr. Casey. This is another case of your "green ink." This letter was actually dictated by Colonel Simons and you will find his initials on it there in the corner.

Senator Clark. It was dictated by Colonel Simons?

Mr. Casey. Yes.

Senator Clark. You do not know what he had in mind?

Mr. Casey. You have to realize that on a great deal of this correspondence, you have to make allowance for certain men using expressions of their own in trying to make a statement.

Senator Clark. I am trying to find out, Major, what your authorized representative in this country—and Colonel Simons was authorized to conduct this sort of correspondence with Colonel Taylor, was he not?

Mr. Casey. Yes.

Senator Clark. I am trying to find out what he meant by writing to your authorized representative in Paris that the State Department was twisting some authorization of Congress beyond its intended scope?

Mr. Casey. I have not the slightest idea.

Senator Clark. You do not know what the Colonel had in mind in that connection?

Mr. Casey. No.

Senator Clark. Now, I call your attention to a letter of February 18, 1929, signed by Mr. O'Gorman, which I ask be marked with the appropriate reference number.

(The letter referred to was marked "Exhibit No. 886", and is included in the appendix on p. 2382.)

Senator Clark (reading):

> By the date you receive this letter—

this is also to Colonel Taylor—

> By the date you have received this letter, you will have received copies of correspondence which we addressed to Capt. I. V. Gillis, of Pekin, China. We do not expect to hear from Captain Gillis until about the end of March, as to whether Gillis can satisfactorily make contact with the Southern Chinese Government.

That was the recognized government at that time, was it not, Major?

Mr. Casey. No; the Southern was the Canton government; that was the way we understand it; but at the time that was the Nationalist Government which was being established to govern all China.

Senator Clark. You mean to govern all China if it could. That was the purpose of every government that was established, to govern all China if it could, Major.

Mr. Casey. I believe it so stated.

Senator Clark. They were all organized for the purpose of governing all China, weren't they?

Mr. Casey. If they could, to govern all China.

Senator CLARK. Now, Major, this was on February 18, 1929. I think this sketch which has been put in evidence will show that the Nanking government, known as the "Southern Chinese Government", was recognized as the Chinese Government at that time.

Mr. CASEY. What was commonly referred to as the Southern Chinese government was the Canton government.

Senator CLARK. You mean you addressed your correspondence to Captain Gillis inquiring as to whether he could satisfactorily make contact with the government which had not been recognized?

Mr. CASEY. The point is for the Nationalist Government.

Senator CLARK. This does not say the Nationalist Government.

Mr. CASEY. The Nationalist Government as the Government of China, which it would have been. We had never before been in contact with south China in view of the fact that at this time it was only a question of days, as we thought at the time, when, with the recognition of the Nationalist Government that would open China, and that not having had contact with the south of China, this might be a good time to establish contact.

Senator CLARK. When he says "Southern Chinese government", he does not mean the Nanking government, which, at that time, was the recognized government of China?

Mr. CASEY. No; the government was right there.

Senator CLARK. He does not mean the Nanking government, which was the recognized government in China at the time?

Mr. CASEY. You do not get me.

Senator CLARK. I am trying to find out what he meant by the Southern Chinese government.

Mr. CASEY. He is talking about the Southern Chinese government. At that time nobody knew how this proposition was going to work out. There had been no statement as to the recognized government at that time, convention or anything else, in regard to that. Of course, I am trying to read into this something that I assume was intended.

Senator CLARK. I am trying to find out what the situation was, as to whether Captain Gillis was being reemployed for the purpose of dealing with the recognized government. I assume he meant the Nanking government, which was the recognized government at the time.

This is an exhibit which I read into the record yesterday.

> During the summer of 1928, the major powers successively recognized the Nanking government.

This letter was written in 1929, and at that time the Nanking government was the recognized government. Therefore, unless you have objection, we will assume it was the recognized government [reading]:

> We do not expect to hear from Captain Gillis until about the end of March, as to whether Gillis can satisfactorily make contact with the Chinese Government. There is no reason why the Paris office cannot keep in touch with Colonel de Fremery in accordance with your plans. Captain Gillis will, by no means, interfere in any arrangements that you have made with De Fremery. On the other hand he is a very high type of American, thoroughly familiar with American methods of doing business, likewise familiar with how to get along with the Chinese.

What was this arrangement with De Fremery?

Mr. CASEY. It was not an arrangement with De Fremery directly. We had an agent in Holland by the name of Van Veen and, when this whole discussion of the establishment of a nationalized government and its recognition was being discussed, in the meantime, we had severed our connection with Gillis.

Senator CLARK. You severed your connection in March 1928, did you not?

Mr. CASEY. Yes. We did not know whether Gillis would be able to come back with us or whether he would be willing to, and therefore Van Veen had suggested to Colonel Taylor what he thought, that when the time came he would be able to function, because he had a man named De Fremery with him.

Senator CLARK. Who was De Fremery, a Belgian, a Frenchman, a Chinese, or what?

Mr. CASEY. He was a Dutchman, I believe.

Senator CLARK. Was an arrangement entered into with De Fremery later?

Mr. CASEY. I think so. At this time, I think early in February 1929, we had communicated with Gillis, asking him if he would again take on the agency for us. We had severed it nearly a year before, and we asked him if he would take on the agency. I think subsequent events will show that he had, in the meantime, made other contacts.

Senator CLARK. As a matter of fact, you later learned the Nanking Government would not deal with any agents, but would do business directly with the companies themselves, didn't you?

Mr. CASEY. That later developed.

Senator CLARK. Now, Major, I read you a part of a letter from Colonel Taylor to yourself, dated May 17, 1929, and I offer it for appropriate reference number.

(The letter referred to was marked "Exhibit No. 887", and is included in the appendix on p. 2383.)

Senator CLARK (reading):

> This letter refers to our cables 758, 759, 760, and to your cables 626, 627, and 628.
>
> On May 13, we received an inquiry from Dordrecht relative to their desire to purchase 30 metric tons flake rifle powder for 7.92 Mauser rifle ammunition of the Turkish type, at a price of $1.54 per kilo c. i. f. Dordrecht. Delivery to Holland was to be made in two shipments of 15 tons each—the first arriving early in July and the second by August 1.
>
> We determined that this inquiry was in connection with a contract which Dordrecht expects to sign, for delivery of these cartridges to the northern Chinese government.

The northern Chinese government was at that time the unrecognized Chinese government, wasn't it?

Mr. CASEY. As I said before, I understood when the Nationalist Government was recognized, that covered all of China.

Senator CLARK. But there was still in existence the so-called "northern Chinese government", the recognition of which was withdrawn by the recognition of the southern Chinese government, the Nanking government.

Mr. CASEY. If so, I did not know it.

Senator CLARK. You certainly knew that the United States Government did not recognize more than one Chinese government at a time. If they recognized the southern Chinese government, obviously the northern Chinese government would be the unrecognized Chinese government.

Mr. Casey. I think the use of the terms northern, central, and southern Chinese governments referred to the continual ability of those three parties to get control.

Senator Clark. But, certainly, nobody ever referred to the Nanking government, which was the recognized government at that time as the northern Chinese government.

Mr. Casey. Some people still refer to it as the central Chinese government.

Senator Clark. Let me read that again:

> We determined that this inquiry was in connection with a contract which Dordrecht expects to sign, for delivery of these cartridges to the northern Chinese government.

Who was Dordrecht?

Mr. Casey. That was a cartridge company in Holland.

Senator Clark. That was another ammunition smuggling outfit, wasn't it, Major?

Mr. Casey. Not that I ever heard of.

Senator Clark. You did hear that. I refer again to "Exhibit No. 526" which I read in evidence at the last hearing of this committee in September [reading]: [1]

> A most interesting case of contraband of arms has developed in connection with the Hirtenberg factory in Austria. As you know, the Hirtenberg factory is owned by Fritz Mandl, who is also the owner of the Dordrecht factory.
>
> Hirtenberg is not allowed to manufacture cartridges in Austria other than a certain limited production for the Austrian Army. But they manufacture the metal parts in Austria and deliver them to Dordrecht, where they are assembled and loaded.

Then he goes on with a rather lengthy explanation of how Dordrecht has been evading contraband regulations. In the first paragraph on the second page, he says:

> This is the first contraband case which has happened in recent years.

So that was the concern you were dealing with at that time.

Mr. Casey. This was in 1933.

Senator Clark. I understand it was 2 or 3 years later than the matter now under discussion.

Now, going back to this letter, I am reading the third paragraph:

> We determined that this inquiry was in connection with a contract which Dordrecht expects to sign, for delivery of these cartridges to the northern Chinese government.

And then the following two paragraphs have to do with the details with the question of powder to be shipped.

I now pass to paragraph 6 on page 2:

> We duly received your reply accepting the order, but this acceptance referred only to our tubular powders. We therefore sent you a second telegram, making inquiry for flake clear. We received your reply, fixing us date of delivery for flake. All our effort was then turned to getting the customer to accept tubular powder, and our negotiations were somewhat complicated by the fact that Mr. Mandl—

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[1] Hearings, Part V, p. 1260.

That is our same friend about whom I have just read—

> was not in Holland but in Vienna. Our negotiations have, therefore, been handled over the telephone with The Hague and with Vienna, and the position today is that Mr. Mandl states he can use our IMR 25 special, in accordance with the sample we delivered, and that he will order 30 tons of this powder as soon as his contract with northern China is actually signed. This signature is expected within 1 week, and we have told Mr. Mandl that we will have to retard the dates of delivery of the powder in proportion to the delay between the date of his inquiry and the date he will place the order. Apparently this will be satisfactory.

Now, Major, did you consult with the State Department before you accepted that order for delivery to northern China?

Mr. CASEY. Senator Clark, isn't it self-evident, from this report of Colonel Taylor's, that, for the first time, he is advising us that this was intended for north China?

In other words, we had that request from Dordrecht for a quantity of powder for the 7.92 Turkish Mauser rifle, and then, after we had offered tubular powder instead of flake, they were negotiating as to whether or not they could handle tubular powder in their loading machines; then along comes this proposition about the time we were committed to delivery to say it was intended for northern China.

Senator CLARK. What did you do when you learned it was intended for north China?

Mr. CASEY. In all cases we formerly contacted O.N.I. and M.I.D., but in this case, what action we took I am not quite sure, but I want to explain this sequence of events.

Senator CLARK. It won't be developed, because I am asking for information as to what you did. Now, I think it is a fair question to find out what you did after you learned it was for delivery to north China. Did you consult the State Department and ask whether or not it would be permissible to go through with your contract?

Mr. CASEY. The State Department would have no jurisdiction over a shipment to Holland.

Senator CLARK. Of course, I understand that; but yesterday, in connection with the deal you had with Steffen & Hymann, when you wrote back to Steffen you said you could not deliver to China but could deliver to a neutral port. You then told me you would not have delivered to a neutral port without consulting the State Department. This is exactly the same proposition in which you accepted the order. I would like to know whether you consulted the State Department before you sent out the order.

Mr. CASEY. At the time of the Steffen incident there was no opportunity whatsoever to ship on our part to any part of China. At this time there was this question always coming up, and we were continually in contact with the State Department as to what is the relationship that Moukden has with Nanking.

Now, the situation, as we understand it, was apt to change overnight. At one time Moukden might have supremacy, put their order in through Nanking. At other times they might say, "We do not bother with Nanking." At no time were we ever certain as to the exact relationship that the Nanking government and the people in Moukden bore to one another, but it is a rather significant thing——

Senator Clark. That is very interesting, but it does not touch side, top, or bottom of the subject before me or the question I am asking about. On yesterday, in connection with the Steffen & Hymann incident, when they made inquiry if you would deliver in China, you wrote them back that you could not deliver in China under the embargo regulations.

Mr. Casey. Yes.

Senator Clark. And that you would not deliver to a neutral port?

Mr. Casey. Yes.

Senator Clark. Then when I asked you if that delivery to a neutral point, with knowledge of the fact that it was later to be delivered to China was not an evasion of the spirit of the law if not of the letter of the law, which you conceded, as you did a moment ago, was not an evasion of the letter of the law but of the spirit of the law, you said you would not have shipped to a neutral port for transshipment to China without consultation of the State Department and their approval.

Now, we come along to a case where an original order is for delivery to Dordrecht in Holland, a neutral country, a delivery which you had a right to make, and an order which you accepted; and then when I asked you whether or not you had knowledge that transshipment was to be made from Dordrecht to China, which is exactly the same proposition involved in the Steffen proposition yesterday, and I asked you if you had consulted the State Department about that, and you said the State Department had to act.

Mr. Casey. No; I said the State Department had no jurisdiction over this. We were trying to find out from the State Department and every place just what the relation was between Moukden and the Nanking government. The most significant thing is at the time that the Japanese were outside of the walls of China it was the Nanking government that protested at the Geneva League of Nations meeting against the action of Japan against their territory.

Senator Clark. Let us disregard the question for the moment of which Chinese government this ammunition was going to. The fact remains that because of the embargo regulations of the United States Government at that time the shipment of anything to China was forbidden, was it not, without a State Department permit?

Mr. Casey. Without a State Department permit.

Senator Clark. Now, this shipment did not involve, of course, a shipment direct to China, but it did involve a shipment to Dordrecht, of which you had knowledge, that it was later to be transshipped to China?

Mr. Casey. Yes.

Senator Clark. Now, I ask, coming back to the Steffen-Hymann situation yesterday, I ask if you consulted with the State Department before or after you accepted this order?

Mr. Casey. We kept them advised.

Senator Clark. How did you keep them advised?

Mr. Casey. By simply saying these different things are coming up about north China.

Senator Clark. Did you advise them that you accepted this specific order?

Mr. Casey. Whether or not we did in this specific case, I do not know.

Senator Clark. Well, I am trying to find out about this specific case.

Mr. Casey. You are asking me to report on business of other people in my department.

Senator Clark. I am trying to find out what was done about this transaction. Do you have any knowledge as to whether or not the State Department was consulted, advised of the acceptance of the order to be delivered to Dordrecht in Austria, to be later transshipped to China?

Mr. Casey. Wait a minute. Dordrecht is in Holland.

Senator Clark. I am in error then. It is that way in the letter here. To Dordrecht in Holland with the knowledge that it was to be transshipped to China?

Mr. Casey. At that time we were continually in contact with the State Department.

Senator Clark. If so, what were the State Department's instructions on the matter?

Mr. Casey. As far as I know, they gave none. You are talking there of transshipment. I am a cotton grower, and I ship cotton into Holland, which is converted into powder. Then you could say that cotton is transshipped from Holland to northern China.

Senator Clark. Major, you will not quibble with the proposition that if you were to ship powder to Holland, to be loaded into shells, and the shells were shipped to China, that if it were a violation of the law to ship shells to China, that shipping the shells in that way would have contributed to the offense?

You will not quibble about that, will you?

Mr. Casey. No; but I make this point. Powder itself is a component. Powder of itself is of no value to anybody except as a component.

Senator Clark. I do not think it is of value to anybody, Major.

Mr. Irénée du Pont. Did you feel that way during the war when you were fighting for the United States?

Senator Clark. Certainly I think the whole thing was unnecessary.

Mr. Irénée du Pont. It was a necessity which put us into it, and I think you were one of the men who were thankful for good powder.

Senator Clark. I do not think it was of any value except to increase the munitions manufacturers' profits.

Mr. Irénée du Pont. Senator Clark, you cannot believe that, because the munitions profits were rolled up before the United States went into the war, and not afterward.

Senator Clark. It was the continual effort of the United States insisting upon their right to furnish munitions to one group of combatants which drew us into the war.

Mr. Irénée du Pont. Absolutely, that is not correct.

Senator Clark. That is a difference of opinion.

Mr. Irénée du Pont. Do you mean to say that President Wilson was dragged in by the heels and advocated war at the insistence of the munitions companies?

Senator CLARK. I do not mean to say that, but I mean to say that the United States throughout the war pursued a course of action, Mr. du Pont, in insisting upon the right to ship munitions to one group of combatants and not to ship them to another group of combatants, which led us into the war.

Mr. IRÉNÉE DU PONT. That is a pretty strange line of reasoning. I do not know that anybody prevented the United States from shipping munitions to Austria or Germany before we went into the war.

Senator CLARK. That involves diplomatic affairs not within the scope of this committee.

Mr. IRÉNÉE DU PONT. I am surprised that you, as a soldier, should have so little use for powder.

Senator CLARK. I agree that when a state of war exists powder is a necessity. I think, as to the question of economic value, that all munitions are an absolute waste of value and waste of wealth.

Mr. IRÉNÉE DU PONT. That is true, but you certainly agree with me, do you not, that prohibiting the recognized government which had been recognized in China receiving any munitions of war was certainly an aid to the racketeers and war lords who could bootleg ammunition in without their government preventing it, and that we should not have supported the bootlegging of the former government?

Senator CLARK. I do not agree with that, because there is no showing here at all that the recognized Chinese Government was ever turned down. The only evidence put in the record of munitions getting in there was the breaking down of the international relations by the nations of the earth.

Mr. IRÉNÉE DU PONT. Has this committee asked the Chinese Government or the State Department whether they protested against this embargo?

Senator CLARK. Not that I know of.

Mr. IRÉNÉE DU PONT. Do you not think that is a grave question in this investigation?

Senator CLARK. Mr. du Pont, as gracefully and courteously as I can, I would like to disabuse your mind of the idea that you are running this investigation. You are merely a witness before the committee. The committee will summon such witnesses as it pleases, ask them such questions as it deems proper and inquire into such subjects as seem advisable.

Mr. IRÉNÉE DU PONT. I beg your pardon. I have no such intention.

Senator CLARK. The committee has called for such information and such witnesses as it has desired.

Mr. RAUSHENBUSH. The 1919 embargo shows that the embargo was imposed at the request of the Chinese central government, the first one, which led to the second one.

Senator CLARK. That was in 1919?

Now, Major, I pass to the letter of July 15, 1929, from Colonel Taylor to Major Casey, headed "China-Moukden Government, Northern China", and will ask that it be appropriately numbered.

(The letter referred to was marked "Exhibit No. 888" and appears in full in the text.)

Senator CLARK. There is certainly no question that the Moukden government was an unrecognized government, is there, Major?

Mr. CASEY. The Moukden government, as I understand it, was not recognized at the time as a government by itself.

Senator CLARK. That letter, "Exhibit No. 888", states:

> DEAR SIR: 1. The northern government at Moukden has established a purchasing agent in Holland. The terms are cash with order. They have available a number of million dollars, the exact number of which I am not familiar with. At the suggestion of their purchasing agent it is proposed to form a Dutch company for the purpose of selling to the Moukden government.
>
> 2. I have not yet got a description of this company, the statutes of which is being drawn up by a Dutch lawyer. People putting up the money for the moment are:
>
> Mr. Godron, representing the Chinese.
>
> Mr. Van Veen——

that is the same gentleman you referred to a moment ago as your representative, Major?

Mr. CASEY. He was our agent in Holland.

Senator CLARK (continuing reading):

> Mr. Mandl, of the Dordrecht factory—

that is this gun smuggler?

Mr. CASEY. Not at the time.

Senator CLARK. I am identifying him. He is the gun smuggler.

Mr. CASEY. Senator, a man may be a good citizen today and 2 years from now commit murder.

Senator CLARK. I am not attempting to charge you with knowledge of the matter at this time, Major.

Mr. CASEY. You are leaving that inference, Senator.

Senator CLARK. Because, according to your statement, you did not learn until 1933 that the man was a munitions smuggler.

Now, continuing with the letter. [Reading:]

> Mr. Eltze, president of the Rheinische Metallwarenfabrik.
>
> They offer me a place on the board if the du Pont Co. will buy 10,000 guilders worth of stock.
>
> 3. This company has on hand provisional orders for 24,000 rifles, with 21,000,000 rounds of ammunition; 2 batteries of 75-mm field guns, with 4,000 rounds of ammunition; and 2,000 automatic rifles, with 20,000,000 rounds of ammunition, very considerable explosives for industrial purposes.
>
> 4. It is proposed that the 75-mm guns will be manufactured in Holland under designs of the Rheinische Metallwarenfabrik, that the rifles and automatic rifles be manufactured in Switzerland, and the ammunition at Dordrecht. By joining this combination, they will assure us the powder orders for the various elements.

I will read that last sentence again:

> By joining this combination, they will assure us the powder orders for the various elements.
>
> 5. While I cannot ask you to purchase stock in this company without sending you the statutes for examination, I would like to hear from you as promptly as possible, by cable, if you approve of my taking $4,000 worth of stock so as to get the powder orders subject to thorough examination of the statutes and further information as to this company, and whether or not you want to use the company's name, my name, or someone else's name.

Now, apparently, Major, Taylor was troubled not by the legal but by the ethical considerations involved, because in the next paragraph he says:

> 6. I think there may be orders to be had by this procedure, but I am not sure of the ethical aspect, as they are dealing with a group that is not a recognized government. I do not understand clearly the relation of the Moukden

Government with the Nationals, or whether the United States law would permit us to deal with Moukden. I would like to be enlightened on this.

7. I shall continue to send you information on this matter.

8. Are we interested in exporting explosives for industrial purposes to China through this company?

I now offer a letter dated August 2, 1929, from Mr. O'Gorman, assistant director, to Colonel Taylor, headed Moukden Government, China, which I ask be appropriately numbered.

(The letter referred to was marked "Exhibit No. 889" and appears in full in the text.)

Senator CLARK. That letter reads:

On inquiries from you for materials which are to be delivered abroad in connection with orders from the Northern Chinese Government, we understand you wish us to quote a net c. i. f. price.

We confirm our cable, no. 645, copy of which is attached, which authorizes the expenditure of $4,000 for stock in the Holland company, as described in your letter T–1664. This stock is to be taken by you personally with no reference to the du Pont Co., registered in your name, etc. This expenditure is only justified, providing you assure yourself that the resulting business from the Holland company is in sufficient volume to justify the expenditures. Instead of writing you at considerable length in connection with this matter, we suggest that, if possble, you hold the matter in abeyance until the writer's arrival in Paris. Please continue to send in information on this combine.

Insofar as the du Pont Co. is concerned we cannot have direct dealings with the Moukden government. The United States has recognized the National Chinese Government at Nanking and military supplies from the United States to China can only be sent forward on an export permit granted by the United States State Department. As a matter of fact, the State Department would not grant an export permit for the shipment of the 8 tons of rifle powder to the Shanghai office until such time as the Chinese Legation in Washington made a written request for the permit through our State Department in Washington. However, conditions may change materially within the next 2 weeks, insofar as the Chinese Moukden government is concerned.

Senator POPE. Who wrote the letter?

Senator CLARK. That was written by Mr. W. H. O'Gorman, assistant to Major Casey.

So that the ethical considerations raised in the previous letter had been resolved by the decision to purchase $4,000 worth of stock in this company in his own name and not in the name of the du Pont Co.?

Mr. CASEY. Senator, I made a statement yesterday that it is a basic rule in selling to keep a proposition open. We were cabling our own man, we were writing our own man in Paris, who thoroughly understood, so far as we knew, the du Pont policies. Therefore, in authorizing him, that simply put him in a position of talking to these people and saying that, "I am authorized, if I am satisfied it is all right." In the first letter he brings up the question of ethics, the ethical phase, but besides the ethical phase he did not like the set-up, apparently, as it appeared to him.

Senator CLARK. He said he was not advised as to the actual statutes, which correspond to our articles of incorporation, I presume. Then he raised the question as to the ethics in the matter, as to whether he should do it, and your answer was, "Go buy the stock in your own name."

Mr. CASEY. We authorized him to say, "I am authorized, if I am satisfied it is all right." But, remember, we were communicating with our own man.

Senator CLARK. I understand.

Mr. CASEY. And we do not have to repeat continually to the men what our policies are. It is self-evident from O'Gorman's letter that in order to safeguard ourselves in the matter we wanted him to withhold whatever was done until O'Gorman got over there.

Senator CLARK. Did you consider the matter important enough to send O'Gorman over there?

Mr. CASEY. No, sir; it was not a question of sending O'Gorman over there, but we have people over there continually to keep in touch with the situation and to get the first-hand viewpoint.

The last sentence of the letter says:

> However, conditions may change materially within the next 2 weeks, insofar as the Chinese Moukden government is concerned.

That indicates that at that time there was still a question but what the Nanking government might be the very ones to request a permit, through their legation, for shipment to the Moukden government. There is that very statement in O'Gorman's letter.

Senator CLARK. In other words, in making the suggestion to purchase $4,000 worth of stock you were following the same suggestion as the man who puts his money on the favorite in a race, but also plays a small bet on the long chance?

Mr. CASEY. I do not get the parallel.

Senator CLARK. You had already made arrangements to reemploy Captain Gillis, your old agent, for contacting the recognized government, but you were also willing to take a chance to the extent of $4,000 on the other government.

Mr. CASEY. At the time of O'Gorman's letter and also Taylor's letter, we heard he could not take it and had in the meantime made our arrangement with Van Veen for the recognized government of China, so do not bring in Gillis at the same time.

Senator CLARK. Now you are telling your recognized agent in Paris, at least to the extent of $4,000 of the company's money, to go into a combine which had for its sole purpose the supplying of munitions to the Moukden government.

Mr. CASEY. That is the very thing we are not doing.

Senator CLARK. And the Moukden government had very recently passed out of China proper.

Mr. CASEY. Yes; and putting our representative into a position to continue the negotiation until we knew what developed. Now, this $4,000——

Senator CLARK. Wait a minute.

Mr. CASEY. Let me finish, Senator.

Senator CLARK. All right.

Mr. CASEY. The $4,000 that Colonel Taylor was to take out in his name, it has been our experience that all du Pont has to do is to put one dollar in a concern and they will promptly say, "Backed by du Pont", and it is very embarrassing to the company when those things occur. It does not matter what the set-up is.

Senator CLARK. I understand that, Major. I take it there is no dispute that you had the stock put in Colonel Taylor's name for the purpose of keeping your participation secret?

Mr. CASEY. No, sir; not for the purpose of keeping our participation secret.

Senator CLARK. Whatever your motives may have been in keeping it secret, your intention was to keep it secret, was it not, Major?

Mr. CASEY. To keep it secret to protect du Pont, because——

Senator CLARK. I am not questioning that, but I say that your intention was to keep it secret.

Mr. CASEY. If you add after the word "secret" the reason for the secrecy, all right.

Senator CLARK. Your purpose was to keep it secret?

Mr. CASEY. Go ahead, and I will agree.

Senator CLARK. That was the purpose?

Mr. CASEY. To keep it secret to protect du Pont, to safeguard du Pont——

Senator CLARK. I am not interested in what your motives were, but, at any rate, you wanted to keep it secret?

Mr. CASEY. What I have said is in the record anyway.

Senator CLARK. I will read again what Colonel Taylor said:

> I think there may be orders to be had by this procedure, but I am not sure of the ethical aspect, as they are dealing with a group that is not a recogized government.

If the first sentence of the second paragraph of Mr. O'Gorman's letter is not an answer to that, then apparently I do not understand the English language:

> We confirm our cable, no. 645, copy of which is attached, which authorizes the expenditure of $4,000 for stock in the Holland Co., as described in your letter T-1664.

Mr. CASEY. Does not Colonel Taylor's letter indicate that at the same time, as I said before, we were putting him into a position to say, "We are authorized"? That does not mean that he was going in to buy $4,000 worth of stock, but if you go to a negotiator and have no authority for that negotiation, you cannot get the other people to talk at all. I think the last sentence in O'Gorman's letter and also the sentence in the second paragraph, I believe it is, where he asks them to hold it up until he gets over there, are a pretty clear indication that nothing should be done to close the proposition by Taylor, even if he was satisfied in the meantime, but it was our own man we were communicating with, and he knew the policies of the company.

Senator POPE. Major, did you buy the stock eventually?

Mr. CASEY. No. We did not like the looks of it after a while.

Senator CLARK. It was not very long until the Moukden government went out on the jump, was it?

Mr. CASEY. That I do not know.

Senator CLARK. At the same time you had Dr. Noelting, of your dyestuff department in China, also representing you for the sale of military supplies, did you not?

Mr. CASEY. That was at the time you brought up a little while ago that the Chinese said they wanted the director of the company?

Senator CLARK. I understand that was the fact, and one of your representatives from the dyestuff department did represent you on the sale of some military supplies?

Mr. CASEY. Yes, sir.

Senator CLARK. When was it that the Jardine Engineering Co. was agent both for you and the Imperial Chemicals Co.?

Mr. CASEY. That was after the arrangement with I.C.I.

Senator CLARK. That was sometime later?

Mr. CASEY. Yes, sir; when we dropped out of the Asiatic picture and let them handle it.

Senator CLARK. I call your attention to a letter dated July 26, 1930, being a memorandum from Mr. W. H. O'Gorman to Mr. H. J. Swezey, which I will offer for appropriate number.

(The memorandum referred to was marked "Exhibit No. 890" appears in full in the text.)

Senator CLARK. That letter reads as follows:

> Contract with Nanking government.
>
> Your letter July 24, 1930.
>
> This is to advise, in accordance with copy of telegram attached to above letter, orders have been issued for the following quantities of explosives to be shipped to Shanghai for the Chinese Nationalist Government:
>
> 100,000 kilograms TNT
> 2,000 kilograms tetryl
> 40,000 kilograms IMR 25 special
> 5,000 kilograms Stokes mortar powder

Were all of those military supplies, or were part of them industrial supplies, Major? I know you use the term "explosives" as largely industrial.

Mr. CASEY. We looked on these as military.

Senator CLARK (reading):

> Deliveries in Shanghai will be made as follows:
>
> Fifty thousand kilograms TNT and 1,000 kilograms tetryl by September 20.
>
> Fifty thousand kilograms TNT and 1,000 kilograms tetryl by October 13 or 31 at the latest.
>
> Twenty thousand kilograms IMR 25 special by October 13 or not later than October 31.
>
> Twenty thousand kilograms IMR 25 special by November 30.
>
> In accordance with advices received from you by telephone yesterday, we are trying to make arrangements whereby some of the Stokes mortar powder will be shipped from the west coast on August 18. At the present writing we do not know the exact quantity of powder which will go forward on this shipment. Definite advices will be given you concerning this the early part of next week. Although United States Government inspection has been waived on the first shipment of TNT, tetryl, and IMR 25 special, arrangements are being made whereby United States Government inspectors will sample the material and conduct tests, the results of which will be forwarded to Nanking. Obviously the 1,000 kilograms of tetryl cannot now be sampled as the material is en route to the west coast. The second shipment of TNT, tetryl, and IMR powder will, of course, undergo Government inspection.
>
> Your Shanghai office is to be congratulated for obtaining the above orders in the face of severe competition.

This was the statement, was it, to which reference was made in the letter of Mr. O'Gorman a little while ago, in which he said that the shipment was released by the United States Government when application was made by the legation of the recognized Chinese Government through the State Department?

Mr. CASEY. I do not think it was. The other was a small shipment of 8 tons.

Senator CLARK. I am trying to get at the procedure.

Mr. CASEY. I think this was after that.

Senator CLARK. In other words, when the recognized Chinese Government's legation would make an application through the State Department for a shipment of powder, that was granted, was it not, so far as your own experience went?

Mr. CASEY. Yes, sir.

Senator CLARK. Let me ask you, Major, or any of you gentlemen, this question: As a matter of fact, from the end of 1929 to the middle of 1931, you sold the Nanking government, the recognized government, approximately $683,255 worth of powder and high explosives?

Mr. CASEY. I think so. I will accept those figures.

Senator CLARK. These figures are taken from the files of the State Department. During these periods did you sell to any of the unrecognized governments in China?

Mr. CASEY. No.

Senator CLARK. Now I call your attention to a letter dated July 22, 1929, addressed to Major Casey, from Colonel Taylor, which I will ask be appropriately numbered.

(The letter referred to was marked " Exhibit No. 891 " and appears in full in the text.)

Senator CLARK. That letter reads:

CHINA

DEAR SIR:

1. Remember to keep clear the difference between purchase of the Chinese National Government at Nankin (southern China) and purchases made by the Chinese Moukden government (northern China).

2. The Chinese National Government at Nankin has made a ruling that nc offers can be made by agents, therefore all offers must be made by the du Pont office at Shanghai. Commission is to be paid in accordance with instructions contained in our letter T–1662 of July 15, 1929.

The offers now under way for the National Government are: 10 tons rifle powder and construction of a proving ground.

3. All offers to the Chinese Moukden government will be made by the Paris office to firms in Holland.

The Moukden government has requested prices on gas masks, tear bombs, and various gas materials mentioned in our letter T–1664.

Major, does not that clearly indicate that you were suggesting, at least, to deal with both the northern and southern governments at the same time?

Mr. CASEY. Do you not think, Senator, that I have already covered the position of the Moukden government?

Also realize this: This was a letter written by Taylor prior to the proposition of this Dutch combine, which was all straightened out after O'Gorman got over there, that that was not the way we were going to handle the thing.

Senator CLARK. Why did you get that inquiry?

Mr. CASEY. I did not consider any of that material. There was nothing for us to do, if we had wanted to.

Senator CLARK. I call your attention to a memorandum signed by Colonel Simons, dated at Washington, August 20, 1929, which I will offer for appropriate number.

(The memorandum referred to was marked " Exhibit No. 892 " and is included in the appendix on p. 2384.)

Senator CLARK. Colonel Simons in that memorandum states [reading]:

> Called on Major Ford and Capt. John K. Christmas, of the Ordnance Department, United States Army, in reference to a gun which could be used for testing powder under consideration for China. The technical details of this discussion will be found in a separate report. In general, there will be no objection on the part of the Army to sending a Navy gun to Aberdeen for firing.

The du Pont Co. was even able to borrow guns from the United States Army or Navy for the purpose of testing their powder.

Mr. CASEY. I think you will find that at the time that the Chinese National Government put in their order they made an official request to have the United States Government inspect the material for the Chinese Government, as they had no inspectors, and they did not believe they really had anybody qualified to act as inspectors, so that they asked the United States Government officially to make this inspection for them.

Senator CLARK. Let us read further and show that the United States Government was not willing to make this inspection:

> Since Commander Johnson is about to go on leave, it was considered wisest to make arrangements with Captain Pickens so that the gun could be sent on short notice, even if Commander Johnson was absent.
>
> Captain Pickens offered no objection to sending any of the 75 mm guns to Aberdeen, but suggested that we arrange with the Ordnance Department, United States Army, to write a memorandum to the Navy, stating that they heard such a gun was available, and requested that it be sent to Aberdeen Proving Ground for experimental firing.
>
> Captain Pickens requested that this gun be shipped from the Washington Naval Gun Factory collect and that the carrying charges be paid in cash from the du Pont fund available at Aberdeen. When the gun was returned to the navy yard it should be sent with the carrying charges prepaid from the same fund.
>
> The cost to fire a Navy 3-inch gun, including projectile, powder, primers, wear and tear on gun, etc., is $16.09 per round. The cost of a loaded cartridge is $11 per round, and since the figure for the complete charge includes the cost of labor, the cost of firing for wear and tear on the gun will be less than $5 per round.
>
> Called on Colonel Drysdale and Colonel Foy, of Military Intelligence, where the question of United States Government inspecting powder for China was raised.

I will not take the trouble to read the rest of that statement unless you desire it, Major, but it indicates that the United States Government, owing to the state of affairs between China and Russia, was not willing to make the inspection, so that the question of borrowing a gun was evidently an entirely separate and distinct question from the question of the Government's inspection of the powder.

Mr. CASEY. I think, if you will go a little further ahead, you will find that the Chinese Government did make that request to have the United States inspect. It was preparatory to such inspection, and we wanted to be sure, in the first place, that there was a gun available in the United States which was as close as possible to the gun for which the Chinese wanted the powder.

Senator CLARK. The point I was getting at is this, Major: Do you know of any authority in law for the United States Navy Department loaning a gun and equipment to a private concern in the United States for the purpose of making a test?

Mr. Casey. They are not loaning it to us. We pay for every round that is fired, and we pay for the wear and tear on the gun, and the labor, and everything in connection with it.

Senator Clark. Leaving out the word "loan", let us say "renting." Do you know of any authority in law for the United States Navy Department to rent a gun to any private concern?

Mr. Casey. I think there is.

Senator Clark. I would be interested to know about it.

Mr. Casey. All these things had to be approved by the Secretary of War, the Secretary of the Navy, or, in a case like this, both, so that I assume that that was within the law.

Senator Clark. Now, I call your attention to a cablegram from your Paris office, dated September 12, 1929, which I will ask be appropriately numbered.

(The cablegram referred to was marked "Exhibit No. 893" and appears in full in the text.)

Senator Clark. That cablegram states [reading]:

> Cable No. 792.
>
> Believe N. E. Bates, Jr.—

Who is N. E. Bates, Jr.?

Mr. Casey. He is our man present at the previous time.

Senator Clark. I know, but what is his official position with the company?

Mr. Casey. Representative of the company in foreign fields, traveling abroad.

Senator Clark. This is from the Paris office, Colonel Taylor, and states [reading]:

> Cable No. 792.
>
> Believe N. E. Bates, Jr., should try to sell to northern China as I do not believe we should deal through Holland. Imperial Chemical Industries, Ltd., have quoted following prices to Shanghai through Austrian company. Cannon powder, $2.65; rifle powder, $2.26 per pound, c. i. f., including 25-percent commission.
>
> Cabled from Paris office, September 12, 1929.

Senator Clark. Now, this was after the arrangement with the Imperial Chemical Industries, Ltd., or were they then in competition?

Mr. Casey. They were in competition.

Senator Clark. They were in competition with you at that time?

Mr. Casey. Yes.

Senator Clark. Did Mr. Bates go to China?

Mr. Casey. No.

Senator Clark. In response to that cablegram?

Mr. Casey. He never went to north China, unless it was in transit.

Senator Clark. Well, he did go to China shortly after this cablegram.

Mr. Casey. Yes.

Senator Clark. Do you know whether he attempted to contact the officials of the north China government?

Mr. Casey. Not that I know of.

Senator Clark. Is there an official of the Remington Co. present?

A Voice. There is.

Senator Clark. Will you come forward, please? Is Mr. Monaghan here? I would like to have Mr. Monaghan come forward. Just hold up your hand and be sworn, please, Mr. Monaghan.

Mr. Davis. My name is Davis.

Senator Clark. Is Mr. Monaghan here?

Mr. Monaghan. Yes.

Senator Clark. I will swear both of you.

(Mr. Monaghan and Mr. Davis were here sworn by the chairman.)

Senator Clark. Just before I enter on this phase of the investigation, I would like to refer again to this memorandum to Colonel Simons. Perhaps I should read the rest of it, beginning on the second page, Major. It says:

> Called on Colonel Drysdale and Colonel Foy, of Military Intelligence, where the question of United States Government inspecting powder for China was raised. Since war has not yet been declared between Russia and China, there is no reason at the present why the United States should not act toward China as toward any other friendly nation, but in the event of war, the United States Government could not inspect powder for China and the State Department might possibly take the attitude at the present time that since some fighting had occurred on the border the United States should not become involved in the supply of munitions to either side. For this reason I did not visit the State Department or the Chinese Legation and strongly recommend that the du Pont Co. refrain from mentioning the matter to either of these at the present time.

Mr. Casey. Yes.

Senator Clark. As to the question of the request from the Chinese Legation to the State Department for the inspection of this powder, as a preliminary to borrowing this gun, it had not only not arisen but apparently had arisen by the direct advice of Colonel Simons, isn't that true, Major?

Mr. Casey. No; I think you misunderstand the meaning of that sentence.

Senator Clark. All right, explain the meaning.

Mr. Casey. The point is this; that when the official request came from the Chinese Government, then was the time to have the State Department act. If at this moment we raised the point, they at that time might have prevented any preliminary experimental firing being made.

Senator Clark. Yes; I understand, Major, but a few moments ago I understood you to say that the Navy Department was loaning this gun as a result of a request from the Chinese Legation that the United States Government make a test of this powder. Now it appears clearly from the body of this memorandum that Colonel Simons had already been down and made arrangements for the gun, but he specifically advised against taking up the matter of inspection of the powder by the United States Government for either the Chinese Government or the State Department.

Mr. Casey. Wait a minute. Simons was down there canvassing the ground, first.

Senator Clark. And it seems that he had been doing quite a job of it, too.

Mr. Casey. Wait a minute. To see if the gun had been shipped to Aberdeen and to see what the attitude of both ordnance departments would be when the official request came through. At this time he did not feel it desirable to take the matter up with either the Chinese

Legation or the State Department, because when the request finally came through, the Chinese Legation took it up with the State Department.

Senator Clark. The point I make is this: The Navy Department and the War Department did loan the gun or did rent the gun, if you prefer that, to the du Pont Co., without any reference to any request from the Chinese Government. They did it on the request of the du Pont Co., through Colonel Simons.

Mr. Casey. They would do it if we asked for experimental firing to try out a powder, or something of the sort.

Senator Clark. I understand.

Mr. Casey. Provided we pay for it.

Senator Clark. Yes; I understand that you would pay for it.

Mr. Casey. But, Senator, understand this, which is a perfectly frank statement of exactly the process, that we would go to first sign up—we would not, for instance, want to have the Chinese Legation put in a request, and find when the request actually came in that the Ordnance Department of either the Army or Navy were unwilling to have a gun used. It might mean that the particular gun that was granted was needed by them for some other purpose. So we canvassed the field first.

Senator Clark. I understand. I am not criticizing the du Pont Co. or Colonel Simons for the action they took in trying to secure this Navy gun. I merely am establishing the fact, as a matter of public interest, that the Navy Department and War Department of the United States Government do make a practice of loaning or renting United States guns to private concerns for the purpose of making tests. That seems to me to be a fact of public interest and does not involve any criticism of anybody.

TESTIMONY OF F. J. MONAGHAN AND C. K. DAVIS

(The witnesses had been previously sworn by the chairman.)

Senator Clark. Mr. Monaghan, you are the export manager of the Remington Arms Co.?

Mr. Monaghan. Yes, sir.

Senator Clark. And were on May 17, 1930?

Mr. Monaghan. Yes, sir.

Senator Clark. I call your attention to a letter dated May 17, 1930, which I will ask to have marked for appropriate reference.

(The letter referred to was marked "Exhibit No. 894" and appears in full in the text.)

Senator Clark. This letter is signed by you and addressed [reading]:

Mr. Percy West,
Assistant Vice President, National City Bank of New York,
56 Wall Street, New York City.

Dear Mr. West: I am very happy to tell you we have received from the United Aircraft Exports, Inc., an order for four hundred and seventy-five thousand .30 Springfield cartridges destined to China, and there is a likelihood this order will be increased to 1,000,000 cartridges before we complete delivery of the present quantity.

Your intercession on our behalf with your friends in the United Aircraft Exports, Inc., we know did a great deal to bring this order to us, and Mr. Larson joins me in expressing our appreciation for your assistance.

> I may say Mr. S. A. McClellan, of the United Aircraft people, while striving to gain every point for his company, has been very cordial and fair in his dealings with us.
>
> Before long Mr. Larson and I hope to have the opportunity of thanking you personally.
>
> Yours very truly,
>
> Remington Arms Co., Inc.,
> (Signed) F. J. Monaghan, *Export Manager.*

Now, Mr. Monaghan, do you know why the National City Bank interceded in this matter?

Mr. Monaghan. The National City Bank really is not involved in it, as I see it. As I recall the transaction at that time—Percy West I had known for a number of years. They happened to be one of the banks that we deposited with. This Mr. McClellan we speak of in here was the man I wanted to know. I did not know him the way I would like to. In fact, I do not recall whether at that time I knew him at all.

Here was an order where we knew the United Aircraft had to supply some cartridges to the Chinese Nationalist Government, on which they were getting an export license from the United States Department of State. We have competitors in this country for such business. It was not specified on the order, as I knew at the time, whether it was to be Remington, Winchester, Western, or other competitors. We wanted that order. We did not know who to go to. Percy West, I knew, would, through some other people in the bank, be able to find out who the man was to see at the United Aircraft rather than to waste the time of going up there myself and just handing in a card.

Senator Clark. That was a purely personal transaction?

Mr. Monaghan. Not personal. Business.

Senator Clark. I mean, personal between you and Mr. West.

Mr. Monaghan. Not exactly.

Senator Clark. Was the National City Bank banker for the United Aircraft?

Mr. Monaghan. Yes; that was the reason.

Senator Clark. Did they ever receive any commission on this transaction?

Mr. Monaghan. Not a cent.

Senator Clark. I read you another letter, Mr. Monaghan, which I offer for appropriate reference.

(The letter referred to was marked "Exhibit No. 895", and is included in the appendix on p. 2285.)

Senator Clark. This letter is dated October 29, 1931, signed by you and addressed to Mr. N. E. Bates of the du Pont Co., of which I will read a portion:

> For the purpose of your trip to China we are giving you as follows all the information which occurs to us that may be of value to you in having Chinese Government orders for cartridges placed with us.

Why did Mr. Bates at that time, as representative of the du Pont Co. also act for the Remington Co.? What was the relationship between the Remington Arms Co. and the du Pont Co. at that time?

Mr. Monaghan. The du Pont Co. sold us powder.

Senator Clark. What was the occasion for Mr. Bates as representative of the du Pont Co. also acting as your representative?

Mr. MONAGHAN. I do not really look at it that he was acting as our representative. We were giving him information in this letter—I have not had a chance to read it over again to refresh my memory.

Senator CLARK. You say—

> that may be of value to you in having Chinese Government orders for cartridges placed with us.

It does seem he was your representative.

Mr. MONAGHAN. No, sir; he was not our representative. He was not paid any salary by the Remington Arms Co., and he was not to get any commission of any kind from the Remington Arms Co.

Senator CLARK. He was just obtaining orders for you as a matter of good fellowship?

Mr. MONAGHAN. I would not say that, either. When we were selling the cartridges we might buy the powder from du Pont; we might buy it from Hercules. Of course, it was to his interest that if any cartridges were sold by us to have du Pont powder loaded in them.

Senator CLARK. And he was over in China obtaining orders for you then without any compensation other than the hope that you might buy powder from the du Pont Co. to load the cartridges?

Mr. MONAGHAN. I do believe that was his interest in it. That was not mine. I wanted to sell the cartridges.

Senator CLARK. Naturally, you wanted to sell cartridges.

Mr. MONAGHAN. Yes.

Senator CLARK. But you had a representative to sell for you without any compensation of any kind. Any firm would be glad to do that. Then there was no other relationship at that time, Mr. Monaghan, between the du Pont Co. and the Remington Co.?

Mr. MONAGHAN. Not that I know of.

Senator CLARK. Except the desire on your part to sell cartridges and the desire on their part to sell powder to you for the cartridges that you sold.

Mr. MONAGHAN. Yes.

Senator CLARK. Did Bates report to you further on this subject?

Mr. MONAGHAN. We may have had one or two letters, but I do know that there was not much of moment in the letters. They were not reports.

Senator CLARK. That is usually what a free agent's services are worth.

Mr. MONAGHAN. That is right; just what you pay for.

Senator CLARK. Along further in that letter, in the second paragraph on the second page, you say [reading]:

> So you would know what we are doing, we gave you in confidence the name of George Sokolsky, who is now in New York, and according to our information, although he does not say so himself, Mr. Sokolsky represents the Soong interests. You know Mr. T. V. Soong is the Chinese finance minister, and his sister is the wife of President Chiang Kai Shek. At our request, Mr. Sokolsky about 2 weeks ago sent a cable in his private code to Mr. T. V. Soong, asking if he was interested in obtaining supplies of 7.9 cartridges, but so far no response has come in.

So you identify Mr. Sokolsky, whom you had send cables over to China for you?

Mr. MONAGHAN. I do not recall how I met Mr. Sokolsky. I did meet him in New York at that time.

Senator CLARK. During that time he was a foreign correspondent for the New York Times, wasn't he?

Mr. MONAGHAN. I recall reading articles of his in the New York Times that impressed me greatly.

Senator CLARK. That was his ostensible business, was it not, being foreign correspondent for the New York Times?

Mr. MONAGHAN. I do not know.

Senator CLARK. Mr. Sokolsky, so I am informed, is now touring the United States lecturing in the interest of the necessity for heavy armaments. Do you know whether he is receiving pay from any munitions company for so doing?

Mr. MONAGHAN. So far as I know, he is not receiving a cent. I have not seen Mr. Sokolsky since shortly after that letter was written.

Senator CLARK. Did you ever get any answer to that cable sent to T. V. Soong?

Mr. MONAGHAN. Absolutely none.

Senator CLARK. It proved a dud.

My attention has just been called to another part of this letter, Mr. Monaghan, which refers to a matter we had up here yesterday. [Reading:]

> Mr. E. A. Sykes, manager, S. J. David & Co., 43 Kiansgi Road, Shanghai, China, has been our agent on commercial firearms and ammunition for some time and in addition we have of late tried to have him operate for us on government business, but nothing has ever materialized.

Can you identify that S. J. David Co., Mr. Monaghan? We had a question here yesterday about a David Co.

Mr. CASEY. Davis; was it not?

Senator CLARK. Was it Davis?

Mr. RAUSHENBUSH. It may be Davis. It sounds like the same one.

Senator CLARK. Who had supplied an arsenal in the south of China. Do you have any information about that, Mr. Monaghan?

Mr. MONAGHAN. According to my knowledge, that would not be the firm.

Senator CLARK. That would not be the firm?

Mr. MONAGHAN. They are one of the highest class firms I ever dealt with, and particularly this man Sykes, and his letters indicate that.

Senator CLARK. Is Mr. Bates here?

Mr. CASEY. No.

Senator CLARK. Now, just concluding this picture of the sale of munitions in China, I desire to read into the record a short extract from the China Weekly Review, dated October 6, 1934, at page 205, which I will ask to have marked with the appropriate number.

(The letter referred to was marked "Exhibit No. 896", and appears in full in the text.)

Senator CLARK. This extract reads as follows:

> A Boeing type P–26 fighter, the fastest and most formidable pursuit plane ever seen in this part of the world, arrived in China on the Steamship *President Grant* on October 2. This plane is being taken immediately to the Hungjao Air Field where it will be assembled under the supervision of Wellwood E. Beall who has recently come out from the factory * * * The Boeing Airplane Co. is represented in China by Leslie A. Lewis of United Aircraft Exports, Inc. * * * The plane is to be demonstrated to the high officials of the Chinese Government by Mr. Beall and a special pursuit pilot, Edward

Dorsey, who has been given a short leave from the United States Army Corps to demonstrate in China the new type of military tactics of which this airplane is capable.

This fighter is equipped with a Pratt & Whitney Wasp engine of the latest type, supercharged to 500 horsepower at 11,000 feet altitude. Its performance is unexcelled by any standard type fighter, since it has a top speed of 235 miles per hour and it can climb to 10,000 feet altitude in only 4½ minutes. * * * This machine derives its vicious sting from its two machine guns firing 1,110 rounds per minute and its 240-pound bomb load. * * *

Following that I desire to read into the record an extract from the New York Herald Tribune of November 30, 1934, which I will ask to have marked for appropriate reference.

(The newspaper extract referred to was marked "Exhibit No. 897", and is included in the appendix on p. 2387.)

Senator CLARK. This reads:

AMERICAN FLYER KILLED STUNTING PLANE IN CHINA—DORSEY, FORMER ARMY PILOT, CRASHES NEAR SHANGHAI

[From the Herald Tribune Bureau]

[Copyright, 1934, New York Tribune, Inc.]

SHANGHAI, *November 28.*—Edward R. Dorsey, American flyer and former second lieutenant in the Air Reserve, was killed today at the Hungjao airdome, near Shanghai, while stunting in a Boeing fighting plane which he came to China last month to demonstrate. A wing touched the ground and the machine crashed, killing Dorsey instantly.

Dorsey was a graduate of the Army air school at Kelly Field, Tex., and had been engineering officer of the Seventy-third Pursuit Squadron at March Field, Calif. He flew one of the western routes when the American Army took over the Air Mail Service this year for a brief period.

Dorsey was 23 years old. Surviving are his mother, father, and four sisters, all of whom reside at Phoenix, Ariz., the flyer's native city.

I next desire to read into the record material supplied by the Department of State, Division of Far Eastern Affairs, on October 25, 1934, having to do with the exportation of war materials under permit from the United States to China for the years 1932, 1933, and 1934 to October 23, which I will have marked for appropriate reference.

(The document referred to was marked "Exhibit No. 898", and appears in full in the text.)

Senator CLARK. This reads:

Shipment from the United States to China, Hong Kong, and Macao of Arms and Munitions of War.

According to the records of the Department, there were approved during the period January 1, 1932, to and including October 22, 1934, applications for license to export to China, Hong Kong, and Macao arms and munitions of war valued as follows:

1932	$448,689.12
1933	3,017,947.35
1934 to Oct. 23	3,554,768.07
	7,021,404.54

With regard to declared points of destination, the above total of $7,021,404.54 may be subdivided as follows:

China:	
1932	$448,689.12
1933	2,973,927.75
1934 to Oct. 23	3,523,530.64
Total	6,946,147.51

Hong Kong:	
1932	None.
1933	$43,626.00
1934 to Oct. 23	31,237.43
Total	64,863.43
Macao:	
1932	None.
1933	393.60
1934 to Oct. 23	None.
Total	393.60
Grand total	7,021,404.54

Exports to China, Hong Kong, and Macao of arms and munitions of war valued at $564,763.12 were approved by the Department during the 14-month period January 1, 1932, to March 1, 1933. Exports valued at $5,072,887.25 were approved during the succeeding 14-month period ending April 30, 1934. This sharp increase in the value of arms and munitions of war destined for shipment to China was due entirely to improved conditions within the trade and in no way to a relaxation of the rigid control exercised by the American Government over the export to China of the goods under consideration.

In considering the figures stated above, note should be made of the fact that presumably, but not necessarily, delivery has been made of practically all of the goods covered by export licenses issued by the Department. An outstanding exception, however, is found in the item of 25 Northrop airplanes valued at $1,034,550 and covered by an export license issued by the Department on October 18, 1934, in connection with which no deliveries to China have been effected. (In informing the Department of this large purchase by the Chinese Government, the Consul General at Shanghai made mention of the reported purchase, also by the Chinese Government, of 50 military planes of Italian manufacture, i. e., double the number of planes ordered of Northrop manufacture.)

Note should also be made of the fact that, with a view to avoiding possible delays at the port of exportation, shippers to China occasionally apply to and receive from the Department a license to export to China materials of a nonmilitary nature such as, for example, commercial airplanes. The result of this practice is an increase in the declared value of shipments to China, Hong Kong, and Macao of arms and munitions of war. It is believed, however, that to date the total of such items is not of great consequence.

As of possible interest in connection with the foregoing it may be stated that, according to statistics prepared by the Chinese Maritime Customs, total imports into China during 1933 of arms and ammunition (not including aircraft) were valued at US $9,063,047 (customs gold units (C.G.U.) 17,652,994 at average exchange rate of 0.5134). According to Department of Commerce figures, the value of exports from the United States to China in 1933 of the commodities named amounted to US $23,953 or approximately one-fourth of 1 percent of China's purchases of arms and ammunition. Thus it would appear that, with the exception of aircraft, the United States serves as a source of supply for only a very small portion of China's purchases of arms and munitions of war.

I may say, gentlemen, that while I have put into the record everything that has come to my knowledge having to do with the question of violation of the embargo in regard to Chinese shipments, the United States, in comparison with other nations, has a right to be very proud of the way in which its munition manufacturers have conducted themselves.

Now, I desire to read in closing, or almost in closing, another excerpt from a book entitled " China: The Collapse of a Civilization ", by Nathaniel Peffer, chapter IX, pages 177 and 178:

> There are civil wars. Food and supplies are commandeered. Money is obtained by ill-concealed expropriation. Taxes are clapped on at will and at a rate which amounts to graduated confiscation. An army occupies a district

and at once new taxes are levied, for soldiers must be fed, if not paid. A little later taxes are collected for a year in advance, a liberal discount being given for cash. Four months later the occupying army is driven out and another enters. Forthwith, it, too, collects new taxes and then a year's taxes in advance, and then yet another enters and so on. There are districts in China which have paid taxes years in advance and are still paying. Innumerable generals, with large forces or small, are thus quartered on the country and eating it out. When they are subordinates of an important leader, they are somewhat restrained. The worst are what may be called guerilla commanders who shift loyalties according to the moment's exigencies and offers. Worse than drought or flood or plague is the pestilence of armies in China now.

Akin to this and sometimes not easily distinguishable is banditry. Robber bands roam the land, destroying, looting, and killing. Depredations have been committed with impunity in the shadow of Nanking. Tens of thousands have been torn from their homes and native places by wars or famines or insupportable poverty, and from this floating population both robber bands and armies have been recruited. Men become soldiers in order to fill their rice bowls; they rob in order to live. Given conditions in which they could wring a livelihood out of the soil or at the bench, they would return to their normal pursuits. Such conditions do not obtain now, hence they become soldiers or bandits, and sometimes first one and then the other. Since robbery is more profitable than joining an army, the commander of which may or may not pay salaries even when he has the funds, the temptation to banditry is greater. As banditry becomes more general, conditions become still worse and still more have no choice but to become outlaws.

Now, I think it is appropriate at this point to review part of the testimony taken at the hearing before this special committee on September 17, 1934. This testimony was given during the appearance of the Pratt & Whitney Aircraft Co. and United Aircraft Exports, Inc. This testimony has not yet been published in page proof. "Exhibit No. 556" of that testimony was as follows:[1]

RADIOGRAM

From: Arnold, Shanghai.
Via: Navy Radio—55.
Date: July 6, 1933. Received: 6th.
Routing: 45–14–6.
No. 6.

Canton wishes engage instructor replace Deeds killed July 1. Must be active flier with knowledge of pursuit, army cooperation, gunnery, observation, map making, holding rank captain or major. Salary, Hong Kong dollars 1,000 monthly with traveling expenses. Suggest Rogers cooperate with Pawley in securing desired flying instructor.

ARNOLD.

It was stated at that hearing that the Department of Commerce recruited personnel for the Chinese flying schools. It was further stated that in 1933 China purchased 200 military airplanes and that 80 percent of these were American made and that the United Aircrafts Co. did a total business of $1,170,000 in China in 1934.

Since that hearing the committee has also been informed that 14 former officers of the United States service are employed as instructors now on duty at the Central Aviation School, Hangchow, and that the instructional methods in this school are, in fact, just as close a copy of the United States Army aviation schools as it is possible to make. Kelley Field charts, such as for flying instruction and motor maintenance, have been translated into Chinese and are used exclusively.

The committee has been further informed that in the recent campaign against Fukien, Chiang Kai-shek's forces took a walled city held by the Nineteenth Route Army. The aviation corps bombed the walls so successfully as to make the taking of the city an easy matter and, in fact, made short work of the demoralization of the insurgent forces, primarily because of the excellent work done by the aviation corps. These aviators were trained under American instructors and with American equipment. Furthermore, it was due to the efforts of the Department of Commerce that the Chinese retained American instructors and purchased American equipment.

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[1] Hearings, Part VI, p. 1451.

I find in passing that I overlooked one exhibit which I shall put in.

(The letter referred to was marked "Exhibit No. 899", and is included in the appendix on p. 2387.)

Senator CLARK. This is a letter taken from the Department files, written by Mr. G. A. Haley for the Imperial Chemical Industries (China Limited), addressed to the home directors, Imperial Chemical Industries, Ltd. The connection between Imperial Chemical Industries, known as the "I. C. I.", and the du Pont Co., has been gone into heretofore.

By the way, Mr. du Pont, this is the same I. C. I. of which two very eminent British statesmen, who recently took occasion in the House of Commons to criticize the course of this investigation, are or were until very recently heavy stockholders, is it not? I refer to Sir John Simon and Sir Austen Chamberlain.

Mr. IRÉNÉE DU PONT. I am not familiar with this discussion in Parliament, and I did not get the names of the men you refer to.

Senator CLARK. Sir John Simon and Sir Austen Chamberlain.

Mr. IRÉNÉE DU PONT. They may be. I don't know.

Senator CLARK. This letter concludes:

> The prospect of business on a big scale, increased by the removal of the export restrictions in respect of shipments to south China, makes it necessary to face the fact that the manufacturers might at any time be called upon to accept substantial del credere risks in addition to those carried by Jardine Engineering Corporation.

The Jardine Engineering Corporation, Mr. du Pont, was the joint agent of the du Pont Co. and the I. C. I. was it not, in China?

Mr. IRÉNÉE DU PONT. Mr. Chairman, I really do not know. This is some 6 or 8 years after I retired as president.

Senator CLARK. But it is a fact, is it not, Major Casey, that the Jardine Engineering Co. was the joint agent of the du Pont Co. and the I. C. I.?

Mr. CASEY. Right.

Senator CLARK. And, as I understand from this letter, there had been an arrangement made by which the Jardine Engineering Co. was to guarantee the orders?

Mr. CASEY. Yes.

Senator CLARK. The Jardine Engineering Co. had written in and refused to guarantee orders above a certain extent?

Mr. CASEY. That I do not know.

Senator CLARK. This letter was evidently in response to that. I will read it again so as to make that clear. [Reading:]

> The prospect of business on a big scale, increased by the removal of the export restrictions in respect of shipments to south China, makes it necessary to face the fact that the manufacturers might at any time be called upon to accept substantial del credere risks in addition to those carried by the Jardine

Engineering Corporation. We should be glad to know whether in principle you are prepared to trade on these terms and to be informed in due course of du Pont's policy in the matter. No recommendation for accepting del credere would, of course, be passed to you or du Pont unless we and Jardine Engineering Corporation considered that the business could be classed as a fair trading risk.

Senator CLARK. Mr. du Pont, do you have any idea as to the number of people that have been killed in China in the last few years as the result of the shipment of munitions into China?

Mr. IRÉNÉE DU PONT. No, sir, I do not; and I do not think the measure of that is the amount of ammunition that was there, Senator.

Senator CLARK. Mr. du Pont, don't you believe, that, granting that the amount of munitions which have been shipped into China from the United States is, happily, a very small percentage of the whole, don't you think that even that is an awful price to pay in order to know that our materials are equal in effectiveness to those of foreign makers, and in order that we may have a personnel trained in preparedness for war?

Mr. IRÉNÉE DU PONT. I do not go with you for a minute that the sending of munitions to the recognized government—that if a few bandits are killed by it that that is a nefarious thing to do. I think the nefarious thing is the disorder. I would undertake to guess, not knowing how many were killed in China, in Russia at the time, or after the revolution in attempting to establish an orderly government, but that the number probably is as great. We certainly did not ship any munitions there. I know there are innumerable conditions reported in the papers that I cannot hook up with the shipment of munitions.

Mr. RAUSHENBUSH. In that connection, the significance of the State Department memorandum should perhaps be pointed out. The purchases in aviation were valued at nine million alone from the United States, and then they say that outside of that the United States supplied for this war in 1933, after the embargo, one-fourth of 1 percent of all the Chinese purchases. Figuring that out, that would make the Chinese purchases in that one war 10 million dollars from the rest of the world.

BUSINESS WITH BOLIVIA AND PARAGUAY—EXTENT OF SALES—METHODS OF FINANCING

Senator POPE. In the brief time left before lunch, we will consider some further testimony. The general purpose of this testimony now to be submitted will be to show something of the activities of the munitions makers in their dealings with Paraguay and Bolivia, the extent of their sales, the method of financing and payment therefor, and their policy of selling to one or both of the belligerents, and their attitude toward and activities regarding embargoes and, in particular, the Bolivian and Paraguayan embargo on May 28, 1934.

Now, with reference to the amount of ammunition sold by certain companies, Mr. Monaghan, I have a note here, that the Remington Arms Co. has sold over 20 million cartridges to Bolivia during the years 1933 and 1934, is that about correct?

Mr. MONAGHAN. About correct; yes, sir.

Senator POPE. What is your information as to the amount of cartridges sold to Paraguay by your company during that time?

Mr. MONAGHAN. I believe there may have been two small orders, totalling 100,000 cartridges for revolver use, but that was all.

Senator POPE. Do you also have some knowledge of sales by the Winchester Co. of ammunition to those countries during that period of time?

Mr. MONAGHAN. No, sir.

Senator POPE. Is Mr. Beebe here yet? Do you have any information as to the amount of ammunition sold to Paraguay and Bolivia during 1933 and 1934 by the Winchester Co.?

Mr. BEEBE. I think it was about two and a half million 7.65-millimeter cartridges. I am not positive on that point without the figures before me.

Senator POPE. That you sold to both countries?

Mr. BEEBE. I think we sold nothing to Paraguay that I know of.

Senator POPE. As far as you know, your sales were to Bolivia, apparently?

Mr. BEEBE. To Bolivia.

Senator POPE. Now, Mr. Monaghan, your agents in South America kept you informed of the activities of foreign competitors in that field during those years?

Mr. MONAGHAN. I think we attempted to get through reports of our agents all the information that we could on the activities of our competitors particularly, and we laid our greatest stress and time, on the sales of commercial ammunition for sporting and protection purposes, not of a military character.

Senator POPE. Who is Mr. James H. Spencer?

Mr. MONAGHAN. Mr. Spencer is chief partner of the firm of Spencer & Walters, who are our commercial agents in Santiago, Chile. Our contract with them is that all of these sales with them are based on commercial transactions. There is a clause in all those contracts that excludes from the operation of the contracts or agreements any military transactions unless the circumstances of each individual case permit us to consider them in the transaction.

Senator POPE. Now, I would like to offer for the record a letter dated January 3, 1933, from the Remington Arms Co., by Mr. Monaghan, to Mr. F. C. Nichols, vice president of Colt's Patent Firearms Co.

(The letter referred to was marked "Exhibit No. 900" and is included in the appendix on p. 2388.)

Senator BARBOUR. If I may interrupt there. There is just one point I want to clear up. The cartridges that these companies supplied, one to one and the other to the other, were they the same type of cartridge for the same type of thing?

Mr. BEEBE. The cartridges supplied to Bolivia were 7.65 millimeter. We supplied none to Paraguay.

Senator BARBOUR. Now, were yours 7 millimeter?

Mr. MONAGHAN. For Bolivia, our principal items were 7.65-millimeter cartridges, and 9-millimeter cartridges. For Paraguay, there was only 100,000 cartridges for revolver use. I do not believe anything for military use.

Senator BARBOUR. Did you sell any large quantities, either of you, to these governments, one sold to one and the other the other?

Mr. BEEBE. I said 7 millimeter. It is 7.65 millimeter.

Mr. Monaghan. This Paraguay order I spoke of was two separate transactions, but not military cartridges. We have had that type of business before any trouble down there. In fact, the trouble ruined our profitable commercial business in that country.

Senator Pope. This letter referred to shows the information Mr. Monaghan had as to sales by Great Britain that had gone both to Bolivia and Paraguay. I will not read the amounts, but I will ask that that be put in the record as part of the record.

Now, did Mr. Bates keep you informed as to competitive conditions and prices, Mr. Monaghan?

Mr. Monaghan. Mr. Bates was not our agent in South America.

Senator Pope. No; but did he keep you informed?

Mr. Monaghan. You have in mind particularly Bolivia, or all countries?

Senator Pope. Either Bolivia or Paraguay.

Mr. Monaghan. When Mr. Bates was in Bolivia about a year ago, or a little longer, we asked him to try to find us an agent for our military business there, and he did find us one.

Senator Pope. Who was it?

Mr. Monaghan. Webster & Ashton.

Senator Pope. I will offer for the record, simply for the information it contains a cable from Mr. Bates with reference to the German and Norwegian ammunition sold to Bolivia.

(The cable referred to was marked " Exhibit No. 901 " and is included in the appendix on p. 2389.)

Senator Pope. Now I call your attention to a letter, Mr. Monaghan, dated October 27, 1933, written from Rio de Janeiro, signed by " George." I have some information here that his last name is Forman and he represented Colt's; do you know him?

Mr. Monaghan. I know Mr. Forman quite well, personally.

Senator Pope. I would like to read into the record the fifth paragraph of that letter and then offer the letter in evidence [reading]:

> For the moment the main purpose of this letter is to let you know the cartridge set-up in Paraguay. They have purchased almost all of their requirements from Imperial Chemical.

By the way, " Frank " means you?

Mr. Monaghan. Yes, sir.

Senator Pope (reading):

> So far, 35,000,000 cartridges have been bought from them. While I was there the last order of 5,000,000 went through. Paraguay receives credit of over 18 months. There is a payment of 25 percent with the order, six small payments of approximately 4 percent which are made at the time of shipments, then 18 percent 6 months later, 16 percent 6 months after that, and 16 percent 6 months after then. Which makes about a year and three-quarters time for payment, with deliveries completed within 3 months.

I offer that whole letter as showing the amount of the shipments of the Germans.

(The letter referred to was marked " Exhibit No. 902 ", and is included in the appendix on p. 2389.)

Senator Vandenberg. Before you leave that letter, may I ask, Mr. Monaghan, if you know what is meant by purchasing from " a German source "?

Mr. Monaghan. Is that in the same paragraph?

Senator VANDENBERG. It is in the last sentence.

Mr. MONAGHAN. I do not know what that is.

Senator VANDENBERG. Have you any conjecture as to what German source might have been exporting arms at that time—or ammunition?

Mr. MONAGHAN. No, sir; I have not.

Senator POPE. Now, referring to the matter contained in that letter again, what would you say, Mr. Monaghan, as to the customary custom with reference to selling munitions on long-term payments such as indicated in this letter. Did you ever do it?

Mr. MONAGHAN. No, sir; such long-term payments as that we never attempted.

Senator POPE. What sort of terms did you require?

Mr. MONAGHAN. Well, that is subject to quite a little qualification. If there was a little time involved, as there was in Bolivia, and we had proper security; it would be passed to our treasurer for his approval. In the case of Bolivia, we believed we had that.

Senator POPE. Did you sell on any such terms as indicated in this letter?

Mr. MONAGHAN. No, sir.

Senator POPE. Over a considerable period of time?

Mr. MONAGHAN. No, sir; we have never sold on such terms as that.

Senator POPE. Were your payments promptly met?

Mr. MONAGHAN. There were some—you are speaking of Bolivia?

Senator POPE. Yes.

Mr. MONAGHAN. There were some slight delays on two of the contracts. We always had recourse to a bank guaranty that we had for the payment of the bill eventually.

Senator POPE. Now, in connection with that matter, I call your attention to a cablegram sent to Messrs. Webster & Ashton, La Paz, Bolivia. They were your agents, were they not?

Mr. MONAGHAN. Yes, sir.

Senator POPE. Signed by the Remington Arms Co., by H. N., export department. Who would H. N. be?

Mr. MONAGHAN. That is simply the translation of the cable, by my stenographer, her initials.

Senator POPE. Would you explain the cable, what it means?

Mr. MONAGHAN. I could very readily if I had some of the cables that transpired before this one. There were some slight delays on it, and it was my policy, when there was a delay of 2 or 3 days even and the money not in, to clamp down on them right away with a cable. That happened in this particular instance. I have looked this up, and I found there were three or four cables I sent them, keeping after it so they would not forget it.

Senator POPE. The cable says apparently loan arrangements not yet completed. Should be completed Monday or Tuesday. Remittance by cable immediately after. What loan arrangements were referred to?

Mr. MONAGHAN. That was something, in my opinion, when I wrote it, and still believe, was an internal affair of their government getting an additional loan from the bank in order to have the funds to transfer to New York for payment of our bills.

Senator POPE. From a Bolivian bank?

Mr. MONAGHAN. Yes.

Senator POPE. Did it have anything to do with arrangements here in the United States for a loan?

Mr. MONAGHAN. Not in my opinion. I know nothing of such arrangements as that.

Senator POPE. I offer this for the record.

(The cablegram referred to was marked "Exhibit No. 903", and is included in the appendix on p. 2390.)

Senator POPE. Have you attempted, Mr. Monaghan, to arrange for the financing of Bolivian ammunition orders from outside concerns?

Mr. MONAGHAN. You have one in mind, Patino?

Senator POPE. Yes.

Mr. MONAGHAN. You want me to explain that or just to answer your plain question?

Senator POPE. Would you go ahead and explain it, please.

Mr. MONAGHAN. We had quite some extended cables and correspondence with Webster & Ashton prior to signing one of the contracts, where the Government wanted us to give our terms. I believe it was 30 percent of the order being given us on the signing of the contract, 30 percent on submission to the consul in New York, of the documents when shipment was made, and the balance of 40 percent payable 60 days after each shipment. Prior to that conclusion these cables from Webster & Ashton that passed between us kept giving us a picture to the effect that European manufacturers were quoting better terms than we were, that Webster & Ashton felt we should do something to extend them credit terms. I would like also to say that when we did conclude a contract it was on a basis of a guarantee of payment of the Bank Central of La Paz, Bolivia. However, this Patino matter comes before that conclusion. When they wanted these terms there was something in there, I forget just what, from Webster & Ashton, or maybe of the consul in New York, of Patino coming into the picture. We went to see Mr. Patino and saw his man in New York, and asked him what their opinion was of granting of credit terms to Bolivia. We thought the Patino organization knew the credit position in Bolivia more intimately, at least, than we did.

Senator POPE. Who is Mr. Patino?

Mr. MONAGHAN. I believe it is the Patino Mines people.

Senator POPE. What interest did he have in Bolivia?

Mr. MONAGHAN. His mines are there. That was the reason that I thought he knew plenty about conditions, knew the credit risk that would be involved in Bolivia. We did not know Bolivia, none of our organization had ever been there.

Senator POPE. Now, in a letter written by Mr. Bates, Mr. N. E. Bates, Jr., to Major Casey, I find this paragraph, which is paragraph 5 of the letter which you have before you:

> Accompanied by Mr. Frank J. Monaghan, visited Patino Mines & Enterprises, Inc., 20 Exchange Place, New York, and spoke to Mr. Gumucio, New York manager, and discussed with him the problem of Patino Mines assuming payment responsibility on a prospective 10,000,000 7.65 millimeter ammunition order for Bolivia. Mr. Gumucio seemed very hopeful that these arrangements could be consummated, and promised to speak to Mr. Patino himself about it.

Mr. Monaghan is to call Mr. Gumucio Monday, February 5, at 11 o'clock to obtain Mr. Patino's opinion.

That is a correct statement?

Mr. MONAGHAN. That is correct, and now I remember the exact transaction with them. Here was this proposal from Bolivia, "you accept these credit terms." When we talked to Patino about credit they said, "We have no doubt that their credit is perfectly good." So then we made a proposal to them, "Why don't you people accept this order from the Bolivian Government on the terms that they want to have incorporated in the contract, and then you place the order with us on the same terms?" We thought in that way we would have the endorsement or security of the Patino people, whom we knew more intimately that we did the Bolivian Government, and the answer was "No."

Senator POPE. Now. I will offer this letter in evidence to be marked with the appropriate number.

(The letter referred to was marked "Exhibit No. 904", and is included in the appendix on p. 2390.)

Senator POPE. Now, I refer to a cablegram sent by the Remington Arms Co. to Messrs. Webster & Ashton, La Paz, Bolivia, the translation of which apparently reads:

> Patino desirous helping terms. Unable at present to do so. He suggests guarantee Central Bank on terms named by us. Cannot reduce prices. Rumors of trouble Europe will seriously interfere deliveries from there.

What would you say about that cable? What does it mean in reference to the matters we have been discussing?

Mr. MONAGHAN. That confirms what I told you, the answer was "No." They would not do it, and the suggestion they made was that we get the guarantee of the Central Bank, and not on the terms that they were asking, but the terms we were insisting on, or 30 percent on contract, 30 percent on shipment, and 40 percent, 2 months.

Senator POPE. Did you do that?

Mr. MONAGHAN. Yes, sir.

(The cablegram referred to was marked "Exhibit No. 905", and is included in the appendix on p. 2391.)

Senator POPE. Now, in a letter from James H. Spencer to you, Mr. Monaghan, under date of December 24, 1932, in the last paragraph on the first page he says:

> It may be of interest to you to know also that the Bolivian Minister in Paris, Mr. Simon Patino, multimillionaire, who has made his fortune out of the tin mines in Bolivia, has offered to finance anything that Bolivia may want, so that in the event of anything being purchased for this latter country, the financial end of it would be well cared for.

He did not in your case?

Mr. MONAGHAN. He certainly did not.

(The letter referred to was marked "Exhibit No. 906", and is included in the appendix on p. 2392.)

SELLING BOTH SIDES IN CHACO DISPUTE

Senator POPE. I think I will ask Mr. Davis this question: What was the policy of your company—the Remington Arms Co.—as to selling munitions to both participants in the Chaco dispute?

Mr. Davis. It was our policy to sell to both.

Senator Pope. Either or both?

Mr. Davis. Both.

Senator Pope. To both?

Mr. Davis. Yes.

Senator Pope. I think the question has been answered as to the comparative volume of sales which have been made?

Mr. Davis. Yes, sir.

Senator Pope. You sold the same sort of munitions—that is, cartridges to both sides?

Mr. Davis. No; I think it was revolver cartridges to Paraguay. I believe you, Mr. Monaghan, testified to that.

Mr. Monaghan. Yes.

Senator Pope. And rifle cartridges to Bolivia?

Mr. Davis. Yes; rifle cartridges to Bolivia, 7.65 millimeter and 9 millimeter.

Senator Pope. And your terms of payment were the same, on the same basis, you made no discrimination?

Mr. Davis. I am not familiar with the terms of payment.

Mr. Monaghan. The terms of payment on this 100,000 cartridges I do not recall what they were, but it was a regular commercial transaction. I do not know whether they were paid for in Buenos Aires sight draft or 60 days.

Senator Pope. Did you make any effort to keep one side from knowing of your dealings with the other, Mr. Monaghan?

Mr. Monaghan. I think we would respect confidence if we get an order.

Senator Pope. You mean by that that you would not tell of your dealings with one side to the other?

Mr. Monaghan. Oh, no; we certainly would not do that.

Senator Pope. You did not advise representatives, then, of one nation of your orders from the other?

Mr. Monaghan. No, sir.

Senator Pope. In your opinion, isn't there a moral or an ethical principle involved in the policy of selling to only one or both the belligerents to a war?

Mr. Monaghan. I believe that we would have to be neutral in the matter, a neutral nation.

Senator Pope. By that you mean sell to both, as their orders may come, or as your opportunities may come?

Mr. Monaghan. Yes, sir.

Senator Pope. Now, in selling to both belligerents at the same time, does this practice lead to the exploitation of the hostile feelings of one as against the other, in your experience?

Mr. Monaghan. Let me have that again, please.

Senator Pope. In dealing with both sides, selling to both, I think you have stated you endeavored to keep one from knowing what you were doing with the other?

Mr. Monaghan. Yes, sir.

Senator Pope. Did you experience any difficulty in, or was there any hostility apparent in connection with that policy?

Mr. Monaghan. No. I think the answer to that question is no, although I do not quite get your point.

Senator POPE. Did one side find out at any time that you were selling to the other?

Mr. MONAGHAN. I do not know.

Senator BARBOUR. Did you think that the more you sold to one that probably the more you would sell to the other, as an obvious conclusion?

Mr. MONAGHAN. That certainly was not the case in Paraguay and Bolivia.

Senator BARBOUR. Well, you do not answer the question. I said if you were selling to two belligerents would it not be the fact that the more you sold one, inevitably the more you would sell the other, if you had their whole business?

Mr. MONAGHAN. If we had it all.

Senator BARBOUR. I said if you had it all.

Mr. MONAGHAN. It is a rather broad speculation that I have not given any consideration to.

Senator BARBOUR. You haven't thought of that at all?

Mr. MONAGHAN. No.

Senator CLARK. I think the classical illustration of that is the case of Sir Basil Zaharoff, when he sold a submarine to his native country, Greece. He traveled to Turkey, and on the basis of possible hostilities he sold Turkey two submarines.

Mr. MONAGHAN. Yes.

Senator CLARK. I think that is what Senator Barbour is after.

Senator BARBOUR. That is a general principle I want to know more about.

Senator CLARK. That is a very important point.

Senator POPE. Mr. Monaghan, does this information which you had received with reference to sales from other countries or other munition makers serve the purpose of stimulating a desire to purchase their own guns?

Mr. MONAGHAN. No, sir.

Senator POPE. Never did?

Mr. MONAGHAN. No, sir.

Senator POPE. Now, I would call your attention to a letter dated December 24, 1932, the same letter which I offered previously as "Exhibit No. 906", and particularly the second paragraph of the letter. That reads:

> At the time I called you on the phone the situation looked red hot, in view of the insistence that I received from the Bolivian minister in this city and at the same time from people in the Argentine, who were very anxious that I should go there at once to terminate negotiations.

In that letter written from Spencer to you, what did he mean by the "red hot" situation?

Mr. MONAGHAN. He called me on the telephone one time. We had not had Mr. Spencer employed in any way in our business, and he had no contract, no letter of authority to act for us. He telephoned from Santiago, Chile, and said that he could do some business for us in Paraguay or Bolivia, or both—I forget which—and wanted to know if we were tied up in those countries on military equipment, and we said no, and I had a couple of letters from him again, and nothing came of it. We never did any business through him in Paraguay or Bolivia.

Senator Pope. Look at the third paragraph, which states [reading]:

> On the other hand, the Paraguayan minister, also in this city, has asked for authority from his Government to radicate the purchase of equipment here, and in this respect I am also waiting for definite decision.

Mr. Monaghan. Yes, sir.

Senator Pope. Your understanding was that he was dealing both with the Paraguayan Minister and the Bolivian Minister at the same time?

Mr. Monaghan. Yes, sir.

Senator Pope. Then, in the fifth paragraph, it states [reading]:

> In the meantime I have submitted the quotation you have given on 7.65-caliber ammunition, rifles, and Thompson submachine guns and ammunition. It is my understanding that Paraguay has credit in New York to make payment for any material that may be purchased, and on this score the situation is quite clear.

Mr. Monaghan. That is not true, Senator, that we gave a quotation on Thompson submachine guns.

Senator Pope. He said he had given it.

Mr. Monaghan. Pardon me.

Senator Pope. Mr. Spencer said he had given the quotation himself.

Mr. Monaghan. Yes, sir. I am sorry.

Senator Pope. As I understand it, Mr. Spencer was not your agent?

Mr. Monaghan. He had a contract with us for commercial business in the Republic of Chile; nowhere else.

Senator Pope. Now with reference to that, he wrote you, did he not, suggesting that you give him permission to sell, if he had an opportunity to do so, to these other countries?

Mr. Monaghan. Yes, sir; some military equipment.

Senator Pope. I think you stated to him, did you not, that that could probably be arranged?

Mr. Monaghan. We were free and he could go ahead on it, not as our agent, but if any business transpired, based on the quotations which we gave him, why, we would give it according to the circumstances at the time. There was no contract or no arrangement other than "Here is a quotation; if you find you can do this business, go ahead."

Senator Pope. I will continue reading from that exhibit:

> It may be of interest to you to know also that the Bolivian Minister in Paris, Mr. Simon Patino, multimillionaire, who has made his fortune out of the tin mines in Bolivia, has offered to finance anything that Bolivia may want, so that in the event of anything being purchased for this latter country, the financial end of it would be well cared for.
>
> It may also interest you to know that England has sold to Bolivia the following equipment:
>
> In April 1932, 8 machine guns 7.65 caliber; in August 1932, 100,000 rounds 7.65 ammunition; in September 1932, 90 machine guns 7.65 caliber, 2,000,000 rounds 7.65 ammunition, 154 machine rifles 7.65; in October 1932, 6 Army tanks; in November 1932, 2 machine guns 7.65 caliber.
>
> At the same time British manufacturers have supplied to Paraguay: 4,000,000 rounds of 7.65 caliber ammunition, 1,000,000 rounds of .0303 caliber ammunition, 200,000 clips for 7.65 ammunition.
>
> I notice in the press that there is considerable agitation in Washington circles to put an embargo on shipments of any ammunition to any of these

countries practically at war, but in the meantime European manufacturers are selling all they possibly can. It, undoubtedly, makes it very difficult to try to carry on negotiations in the face of difficulties that might arise from the State Department in Washington, all of which make me feel that in the last analysis the United States Government would stop any shipments of war material. You might set me aright in this respect and let me know definitely what is the situation. It would be no use to carry on further negotiations with any of the countries that may want war material, if there is no chance of getting it out of the United States.

Do you recall receiving that letter, Mr. Monaghan?

Mr. MONAGHAN. Yes. What he refers to there is, I believe, the situation which has confronted us many times in these countries: That Mr. Spencer would attempt to sell American manufactured items, and he would be in competition with those offered from Europe and while in the course of his negotiations, such as these here, Mr. Spencer would find someone in the Government he was in contact with who would bring his attention to some embargo thought, which had appeared in the press there, on the part of the United States Government—that is, that there was some thought of placing an embargo. And that, I imagine, was used by European competitors to dissuade the foreign countries from placing any contracts with us, because they might not be completed.

Senator BARBOUR. Mr. Chairman, if I could interrupt you there——

Mr. POPE. Yes, sir.

Senator BARBOUR. I have something in line with what you are developing and what I mentioned. I notice the phrase in the letter which you just quoted:

> It may also interest you to know that England has sold to Bolivia the following equipment—

and then the equipment is recited.

This exact phrase was used in Mr. Monaghan's letter to Mr. Nichols, of the Colt's Patent Fire Arms Manufacturing Co., in a letter dated January 3, which begins:

> I had an air-mail letter today from Spencer.

In other words, you did feel that the Colt people would be interested in knowing what England had sold to Bolivia?

Mr. MONAGHAN. Yes; and perhaps because I knew that Spencer & Waters were also the commercial agents in Bolivia for the Colt's people.

Senator BARBOUR. In the same letter I find this language:

> At the same time the British manufacturers supply Paraguay, and they receive a very considerable amount of ammunition.

That is the very thing which I am trying to develop in my own mind—that is, the contribution by one manufacturer to another of information which keeps perhaps all sides posted as to what the different belligerents are buying and using. I think there is no doubt that that has been done. I do not see any reason why you should not be perfectly frank about it.

Mr. MONAGHAN. I do not believe I have been other than that, Senator.

Senator BARBOUR. Your answers have not been as clear to me as I had hoped. I think it is a fact that this dissemination of information stimulated the amount of purchases, in all probability. I do not think you were doing anything illegal. I do not say that anybody who was in business down there would not do that and have a perfectly legal right to do it.

Mr. MONAGHAN. I believe it would be done in any line of business, the gossip of the industry.

Senator BARBOUR. Exactly. As I say, there is no possible criticism, but I am honestly trying to find out if it is not a fact that you were trying to do just the same as any other business man would do in relation to his trade?

Mr. MONAGHAN. I think so.

Senator BARBOUR. And there has been stimulation of interest because of this dissemination of information?

Mr. MONAGHAN. Such sketchy information as you get here—this looks conclusive——

Senator BARBOUR. It is not sketchy unless your figures are wrong.

Mr. MONAGHAN. I mean this way: You want to know how true it is. An agent picked it up—and how much you can rely on it—he might have picked it up from a newspaper or Government report.

Senator BARBOUR. That is true; but you thought they were interested?

Mr. MONAGHAN. Yes, sir.

Senator BARBOUR. What would be their interest?

Mr. MONAGHAN. The same line of business.

Senator BARBOUR. That is exactly what I mean.

Senator POPE. So that you would use any argument as to sales by other concerns, in other countries, which you thought would stimulate the desire to purchase material, would you not?

Mr. MONAGHAN. I may have misunderstood the question before. I thought you meant passing information like this along to some other purchaser, some other nation. Passing it on to a manufacturer in the same line of business in this country, I would not look at it in the same light.

Senator POPE. No.

Senator BARBOUR. The general premise I had in mind, it seems to me, is correct—namely, that if one belligerent had acquired certain equipment, the other belligerent party would be at a disadvantage if they did not have some compensating equipment, and there is the likelihood of selling them that additional equipment which would be more easily obtained if they were cognizant of what their enemy had.

Mr. MONAGHAN. No; we are not passing this to a foreign country. We are passing it to a manufacturer in this country.

Senator BARBOUR. I understand. That is true, but there is this dissemination of information going the rounds. We have a number of instances, which I do not want to mention now, that that is definitely so. There are steps in that development.

Mr. RAUSHENBUSH. Senator, may I interrupt? In this letter there seem to be certain facts, Mr. Monaghan, which would mean that you would probably want to amend your last answer. Here is Mr. Spencer in Santiago de Chile, who is, according to this letter, dealing both with the Bolivian Minister and the Paraguayan Minister in the matter, and that furnishes this information by amount and says that it is 8 machine guns, and it is not 150 machine rifles, but

154, and goes on through it, and at the same time he supplies the amount which the British have been supplying Paraguay, 4,000,000 rounds of this, 1,000,000 rounds of that, and 200,000 clips of that.

Certainly that man must be in a position where he can very readily convey it to the Bolivian and to the Paraguayan Ministers down there. We all know how active the sales arrangements in the Argentine were for one of these countries, and he is clearly conveying rather definite information. They are getting a lot of stuff from I. C. I., or whoever it is in England, and that others are getting this and that.

He is furnishing you this information and, at the same time, he is dealing with both the Paraguayan and Bolivian Ministers.

I take it that was Senator Barbour's point?

Senator BARBOUR. That is the idea.

Mr. MONAGHAN. You do not mean when dealing with Paraguay that he is telling Paraguay what he has learned of the Bolivian situation, or vice versa?

Mr. RAUSHENBUSH. You are at least in a position to say, in that event, or at least there is a little temptation, "Oh, if you only knew what Paraguay has bought."

Mr. MONAGHAN. I do not think that thought is there, and it has not been in my mind, and that explains probably why I did not get the question before, but I do not believe Mr. Spencer is doing that.

Mr. RAUSHENBUSH. A remarkable man, sir.

Mr. MONAGHAN. I am sorry to have to disagree with you, but I know Mr. Spencer quite well.

Mr. DAVIS. Senator, we regard it as very bad sales policy to give information that we obtain from one customer to another, very bad policy.

EMBARGO ON ARMS TO BOLIVIA AND PARAGUAY

Senator POPE. I call your attention to a letter, Mr. Monaghan, dated January 4, 1933, written by you to Mr. Spencer, which I will offer for appropriate number.

(The letter referred to was marked "Exhibit No. 907", and is included in the appendix on p. 2393.)

Senator POPE. This letter is in reply to the letter of December 24, 1932, to which I referred a minute ago.

I would call your particular attention to the second paragraph of the letter, which says:

> Very sorry the red-hot situation did not develop into immediate business, but I can imagine you are playing both the Bolivian and Paraguayan Ministers for anything that might materialize. You are quite right that the situation so far as an agency is concerned in both countries is such that we can adjust things later. The main object is to get the business, and we know no one we would prefer to you in handling the negotiations.

That is a perfectly correct statement, is it not, that the main object was to get the business?

Mr. MONAGHAN. Yes, sir.

Senator POPE. Let us go to the last paragraph on the first page, in which you say to Mr. Spencer:

> About the agitation for an embargo on arms and ammunition from the United States, you can well appreciate when this first reached our ears from Washington we immediately got busy, and we are thoroughly satisfied from the reports that came back to us there will be no embargo from this country.

That contains several very interesting and remarkable statements and inferences. The first is, "We immediately got busy." Whom do you mean by "we"?

Mr. MONAGHAN. Pardon me just a moment until I read it.

Senator POPE. I am asking about this statement, "we immediately got busy." Whom do you mean by "we", in the first place?

Mr. MONAGHAN. Is not this in answer to the other letter, and the other thought, which I told you about just now, on the fact of the embargo and it being published in the newspapers down there? In fact, I have seen it myself.

Senator POPE. It is in answer to the letter, but I would like to have you answer the question.

Mr. MONAGHAN. "We immediately got busy."

Senator POPE. Whom do you mean by "we"?

Mr. MONAGHAN. We came to Washington—and by "we" I know I came down here at the time. I do not know whether any other manufacturers at that particular moment came down or not.

Senator POPE. At any other moment?

Mr. MONAGHAN. What I am trying to square my mind on is that a little later there was an embargo hearing by a House committee, on the embargo resolution.

Senator POPE. Yes.

Mr. MONAGHAN. And what I am trying to do is to get squared away as to whether that is the time when we all came down and appeared before the committee, or whether this was prior to it, and I came down alone. That is, we came down to Washington to find out what the facts were on what was going to happen as to whether there was going to be an embargo, and we reached the conclusion that we did not believe there was going to be one.

Senator POPE. How did you get busy? What did you do?

Mr. MONAGHAN. In this matter we would come down here and talk to the State Department, and we would try to get their views. We did not get any definite statements from them. We would go to the Department of Commerce, who were interested in American manufacturers, and we would learn from them what they had learned during the hearing. They had natural sources of information which were not open to us without a great deal of expense and time here in Washington, and find out what they thought about it. And the main object of this paragraph is to try to get Mr. Spencer in the state of mind, and also his respective purchasers, that they would not be fearful of an embargo and therefore fearful of placing any contract here, and instead, placing it in Europe.

Senator POPE. There is no doubt about the object, but what you did is what I am interested in. You went to the State Department, and to whom did you talk?

Mr. MONAGHAN. I do not recall on this particular occasion whom I saw, but invariably on going to the State Department I would attempt to call on Mr. Wilson, the Chief of the Division of Latin American Affairs. He would not state it definitely, but give me such facts as had already been given in the newspapers or otherwise. He was very, very careful in that regard.

Senator POPE. He gave you no assurances as to opposition to the embargo?

Mr. Monaghan. He certainly did not.

Senator Pope. How about the conferences which you held with the Department of Commerce?

Mr. Monaghan. In the Department of Commerce there was a division in which our goods fell, in their classification of products, and we talked to the man in charge of that department, and learned what he had learned and what conclusions he was forming, and tried to throw together the various opinions as to what we got and what the objections were, and what the next steps were, as best we could, and arrive at our own conclusions.

Senator Pope. Did anyone in the Department of Commerce give you any promise or assurance as to activities in connection with the proposed embargo?

Mr. Monaghan. Oh, yes; there was an attitude in the Department of Commerce that if an embargo went through, it should be put through in a way that would involve all countries rather than to isolate us from the business and leave the others free to have the business.

Senator Pope. To whom did you talk who expressed that opinion?

Mr. Monaghan. Mr. Becker.

Senator Pope. What is his full name?

Mr. Monaghan. Luther Becker.

Senator Pope. And he expressed the opinion to you that if an embargo were to go through, it should apply to all other countries, or all other countries should participate in the embargo?

Mr. Monaghan. That was the practical effect of it, that we should not be the only ones to be penalized.

Senator Pope. Did he give you any ideas of the activity with respect to it?

Mr. Monaghan. He said he would appear if anything came up, and he did appear later on.

Senator Pope. Appear where?

Mr. Monaghan. At the House hearing, when it was before Congress.

Senator Pope. Did you talk to anyone else besides Mr. Becker in the Commerce Department?

Mr. Monaghan. While I was down here, I do not believe I did.

Senator Pope. Just Mr. Becker?

Mr. Monaghan. I know a number of people in the Department, but I do not recall anybody else that I talked to.

Senator Pope. What position does Mr. Becker hold in the Commerce Department?

Mr. Monaghan. He was Chief of the Iron and Steel Division. That is the Division where our cartridges were classified, coming under his jurisdiction.

Senator Pope. He is the only one you now recall talking to in the Department of Commerce?

Mr. Monaghan. At that time.

Senator Pope. Did you talk to others at a later date, prior to the writing of this letter on January 4, 1933?

Mr. Monaghan. I do not recall anybody else, in the case of that visit to Washington. I am not quite clear, as I said before, in my own mind, of coming down here on that, and of coming down here later on on the subject of the embargo, which was some time in February. They came so close together there.

Senator POPE. The hearing took place some time in February, I believe.

Mr. MONAGHAN. Yes, sir.

Senator POPE. So that these conferences to which I refer were before January 4, 1933, of course, when you wrote this letter?

Mr. MONAGHAN. Yes, sir.

Senator POPE. You only recall talking to Mr. Becker in the Commerce Department and to Mr. Wilson in the State Department?

Mr. MONAGHAN. Yes, sir. I believe I did talk over the phone—whether at this time or later on I do not know—to Dr. Julius Klein, who was Assistant Secretary of Commerce.

Senator POPE. You do not know whether it was before or after this?

Mr. MONAGHAN. No; I do not. The thing which stuck in our mind most was the hearing, where we appeared before the House committee on the embargo resolution.

Senator POPE. Did you talk to any of the high officials in either of those Departments?

Mr. MONAGHAN. I would consider that Dr. Julius Klein was a rather high official.

Senator POPE. Then you think you did talk to Dr. Julius Klein before that date?

Mr. MONAGHAN. I am not sure. Mr. Becker is an official of the Commerce Department. Just how I would classify him I do not know.

Senator POPE. Did you talk with any other department of the Government; the War Department or the Navy Department?

Mr. MONAGHAN. No; I do not recall on this thing, because the War Department would not be able to do anything on this, as I see, and give us any information.

Senator POPE. You say that you think they would not be able to do anything for you?

Mr. MONAGHAN. They would not have the information, I mean, of what was going on.

Senator POPE. Let us go on with the letter:

> We immediately got busy—

Have you told all that you did now with reference to that matter?

Mr. MONAGHAN. So far as I can recollect; yes, sir.

Senator POPE (reading):

> And we are thoroughly satisfied from the reports that came back to us there will be no embargo from this country.

What reports do you refer to?

Mr. MONAGHAN. The conclusions that I reached. Remember, this letter was written to Mr. Spencer.

Senator POPE. Certainly; but you would write him the truth, would you not?

Mr. MONAGHAN. Yes, sir; but I would put it a little stronger to him than I would myself. I was not satisfied there would not be any embargo. Later the question came up before the House, and we had an embargo.

Senator POPE. Let me get it clear. You say you were satisfied or were not satisfied?

Mr. MONAGHAN. I say in this letter that I was satisfied there would not be any embargo.

Senator POPE. From reports which you had received. You refer to conversations or reports?

Mr. MONAGHAN. Conversations. I had no reports on this thing which I can recall, only conversations.

Senator POPE. Whatever you did have convinced you that there would be no embargo by this country?

Mr. MONAGHAN. I could not have been convinced of that.

Senator POPE. You said you were.

Mr. MONAGHAN. I know I said I was. I said that with the idea of not leaving him in the air when he was dealing with any customers.

Senator POPE. Oh, you mean to say you were telling him something that was not true in order to enable him to use that argument with his customers in South America. Is that what you mean, Mr. Monaghan? Do you mean you did not do it?

Mr. MONAGHAN. I have not said yes or no to it. This letter was not concentrated on from the standpoint of the play of words or any particular phrase. That is, in the way you are taking it now. I certainly did not give this letter that thought when I dictated it.

Senator POPE. That is not complicated or intricate at all in phraseology. You say:

> * * * and we are thoroughly satisfied—

thoroughly satisfied—

> from the reports that came back to us there will be no embargo from this country.

Now, do you mean to say that you were not satisfied but you told him you were satisfied in order to give him sales talk?

Mr. MONAGHAN. That is just about what it amounted to.

Senator POPE. All right, let us go on from there.

You state:

> From what we hear the idea originated with the State Department * * *.

That is the idea of an embargo, I take it, against the export of arms to the Chaco. Is that what you mean?

Mr. MONAGHAN. It was not the embargo to the Chaco at that time.

Senator POPE. What embargo was it?

Mr. MONAGHAN. This was an embargo to all countries, I believe, that allowed or gave the power to the President to declare an embargo in arms and ammunition to all countries.

Senator POPE. All right.

Mr. MONAGHAN. I think it said with the cooperation of any one manufacturing country.

Senator POPE. Where did you get that idea, that this originated with the State Department? From whom?

Mr. MONAGHAN. I do not recall.

Senator POPE. Then you go on and say:

> * * * but is not receiving any serious consideration in Congress or by the President.

Now, upon what did you base your information?

Mr. MONAGHAN. I will say this: My information was wrong, as was proved later on.

Senator POPE. Did you have any information?

Mr. MONAGHAN. The conclusions that I reached, talking principally with Mr. Becker, of the Department of Commerce; yes.

Senator POPE. Did Mr. Becker and the Department tell you that it was receiving no serious consideration by Congress or by the President?

Mr. MONAGHAN. I gained that conclusion; yes, sir; at the time I wrote the letter.

Senator POPE. Did he say it?

Mr. MONAGHAN. I do not remember, Senator, exactly what he said at the time. This here is pretty nearly 2 years ago.

Senator POPE. Yes; but I am trying to find out upon what you based your conclusion that no serious consideration would be given either by Congress or by the President.

Senator CLARK. A man in the confidence of both Congress and the President ought to remember 2 years.

Mr. MONAGHAN. I did not hear that.

Senator CLARK. A man in the confidence of both Congress and the President ought to be able to remember 2 years what they were considering.

Mr. MONAGHAN. I certainly was not.

Senator POPE. Let us go on, Mr. Monaghan.

> We reached some mighty high officials in the Government and feel confident that nothing will prevent the execution of any business we can get.

That is a most remarkable statement to be made, that you had reached some "mighty high officials in the Government" and that as a result you felt confident nothing would prevent the execution of this business. Now then, will you tell us what "mighty high officials" you reached, and to whom you refer in that letter?

Mr. MONAGHAN. Certainly putting the spotlight on each and every word and phrase of this paragraph. I realize in reading this over now that the word "reached" was certainly inadvisable, because we did not mean it in the sense that it might be construed.

Senator POPE. What did you mean by "reached"?

Mr. MONAGHAN. Talked to them. We talked to Mr. Becker. We felt indirectly that the information which came from him and other officials would lead us to the conclusion that we had information from high officials of the Government that no embargo would go through.

Senator POPE. Do you want to give the committee the impression now that you did not talk to or reach any other officials than a Mr. Becker, a clerk in the Department, and a Mr. Wilson, to whom you referred before?

Mr. MONAGHAN. As I have said before, the word "reached" is wrong, and the implication is entirely misleading. I did not intend it that way when I wrote it, and the officials that we talked to are those whom I have just mentioned; no one else.

Senator POPE. Then you mean to say now that you made the statement for the purpose of giving sales talk or giving an argument to your agent in South America for his use there in making sales or in obtaining orders?

Mr. MONAGHAN. Yes, sir. I was not a lawyer and was not writing it up in brief form, I was writing it from a commercial basis.

Senator POPE. Although you are not a lawyer, when you used the words "mighty high officials" you certainly did not mean Mr. Becker and Mr. Wilson, did you?

Mr. MONAGHAN. The information coming indirectly. I was not elaborating to Mr. Spencer in this letter. I went down and talked to Mr. Becker, of the Commerce Department, and he gave me information that he had received from this, that, or the other person. You have got to close it up quickly and give him a story. That was all. That was what we did in this letter here.

Senator POPE. When was the control of the Remington Co. taken over by the du Pont Co., Mr. Monaghan, or Mr. Davis?

Mr. DAVIS. June 1, 1933.

Senator POPE. Now, did you not receive reports on various matters, including this, from the du Pont Co., or their agents.

Mr. MONAGHAN. Which ties in with this paragraph?

Senator POPE. Yes, sir.

Mr. MONAGHAN. No; I did not.

Senator CLARK. Mr. Monaghan, coming back to this point of your information conveyed to Mr. Spencer, this committee was informed by the State Department that one of the great difficulties which they had encountered in enforcing this embargo to Bolivia and Paraguay had grown out of the fact that the companies involved in many nations contended that it should not be applied to sales which had previously been made prior to the date of the embargo. Now, is it possible that you were attempting to speed up Mr. Spencer on that matter and forestall an embargo?

Mr. MONAGHAN. That is an entirely different story, Senator, and relates to the activities, does it not, at the end of May 1934, and we could readily pick that up and show that the attitude then was entirely different.

Senator CLARK. What was your attitude then?

Mr. MONAGHAN. The attitude was that we went to the State Department before the embargo was actually placed, because we had been offered an order for 25,000,000 cartridges, and it was of sufficient importance, based on the reports in the press of the attitude of the administration, to cause me to pass that inquiry over to Mr. Davis, our president, and I believe Mr. Davis passed it to the executive committee of the du Pont Co. in Wilmington, and we were told to go to the State Department and learn of their definite attitude as to what we should do. We went to the State Department—I went down myself—and all that Mr. Wilson of that Department would say, in his usual diplomatic manner, was that the attitude of the Government is clearly expressed in such and such a letter to the Congress, or from the Congress, passing back and forth anyway, between the President and the Congress.

We came back, talked it over, decided that the attitude was such we better not do anything about it; and we refused the order. We could have taken that order prior to the embargo being placed, but we did not do so.

Mr. Davis. Senator, I would like to read several paragraphs from a letter written by me to one of our directors in regard to that order referring to the 10,000,000 rounds:

> Since the above order was taken we have received urgent requests from Webster and Ashton, our agents in La Paz, Bolivia, for our acceptance of additional orders. Because of our Government's attitude, as reported by the press, in regard to the situation in the Chaco, we are endeavoring to retire as gracefully as possible from a rather delicate situation. We, of course, do not wish to offend either the Bolivian Government or our agents in La Paz, but at the same time wish to heartily cooperate with our own Government in its efforts to bring to an end the conflict in the Chaco.

Senator Pope. Who wrote that letter?

Mr. Davis. I wrote this letter to Mr. J. Thompson Brown, one of our directors.

Mr. Raushenbush. What date?

Mr. Davis. May 26, 1934.

Mr. Raushenbush. Was that before or after the embargo regulation had been passed?

Mr. Davis. Before.

Mr. Raushenbush. Two days before the embargo regulation had been passed?

Mr. Davis. Yes.

Senator Clark. I wish to express the opinion that that was a highly creditable attitude for you to take, Mr. Davis.

Senator Pope. Now, let us conclude this letter briefly. On the next page, Mr. Monaghan, it says:

> There isn't a chance of any legislation going through without our knowing of it being started.

What did that mean, and how would you know about it before this legislation even got started, Mr. Monaghan?

Mr. Monaghan. There would be a number of ways we would learn of it. We would perhaps learn of it through the Department of Commerce, since they already, as I said before, had been in touch with the situation and were watching. We might learn it through any number of channels. Even our competitors have the means of learning it and telling us about it.

Senator Pope. You make this very strong. "There is not a chance", you say, "of any legislation going through without our knowing of it being started."

Mr. Monaghan. That is not true; I know that.

Senator Pope. That is not true?

Mr. Monaghan. No.

Senator Pope. So this statement is clear, that it is made for the benefit of your agent, but is not true?

Mr. Monaghan. Not true in the sense of the spotlight that you are placing on each and every word there; no.

Senator Pope. Now, in your talk with Mr. Becker, or Mr. Wilson, whom you call mighty high officials in the Government, did you have any assurance that they would notify you in the event this matter came up?

Mr. Monaghan. Not any definite assurance, other than they were watching the interests of American manufacturers and if something came up they would attempt to tell us.

Senator Pope. Did Mr. Becker tell you that?

Mr. Monaghan. It would be their intention to tell us, particularly when we had been talking to them about it. It would be before his mind.

Senator Pope. Did he promise to tell you?

Mr. Monaghan. I would not say he promised; no.

Senator Pope. Did Mr. Wilson?

Mr. Monaghan. No; he did not.

Senator Pope. Now I go on:

> And the steps we have taken will, we feel sure, enable us to get the opportunity to fully present our arguments, which will kill any of these crazy ideas.

Now, then, "the steps we have taken." What steps exactly were taken?

Mr. Monaghan. We were going to watch it. If it came up in Congress we believe they would be fair enough, as they always have been, to allow us a hearing on the subject, so we could present the views from the manufacturers' standpoint. We have often found that Members of Congress, where they cannot know all of the details of any particular business, are glad to have any observations we can present and any points we can bring out for their own knowledge.

Senator Pope. But you say, "And the steps we have taken."

Mr. Monaghan. That is, the steps to watch it. We made that first step forward by keeping in touch with the Commerce Department, watching it, and the second step is to come down here again to present our views.

Senator Pope. You state the arguments you present will correct any of those crazy ideas.

Mr. Monaghan. Well, that certainly was an overstatement, if I used the word "crazy", if you are going to pick out that one word, because the embargo went through, but not in the manner it was proposed at the time.

Senator Clark. If we were to leave out of that letter all of the words you say should be disregarded, there wouldn't be very much left of the letter, would there?

Mr. Monaghan. Well, it is a sales letter; you know that.

Senator Pope. I am very much interested in that last phrase you use, "these crazy ideas."

Mr. Monaghan. I did believe personally and have expressed an opinion there and, in fact, we appeared as a company in opposition to the embargo that came up before the Congress about a month later, it was crazy to have an embargo that would prevent the United States exporting to any country and yet leave all of the nations of the world free to export anything they wanted.

Senator Pope. Of course, what you meant by "crazy ideas" was embargoes on arms and munitions.

Mr. Monaghan. Yes. That is the crazy idea, the embargo as it was contemplated at that time, and did not go through.

Senator Pope. Have you ever had to do with other embargoes of any other kind?

Mr. Monaghan. Of the United States?

Senator Pope. Yes. Taking steps.

Mr. Monaghan. Oh, yes; we have come down on various occasions and talked to various departments on embargoes that were already in effect and show how they were operating to our disadvantage, and that we considered unfair in their operation.

Senator POPE. The fact is, you were opposed to embargoes in general, because they restricted the sale of your product.

Mr. MONAGHAN. In general, when it allowed a customer that we might sell to purchase freely in some other market.

Senator POPE. All right. What else did that term cover? It undoubtedly would cover such a thing as the 1925 Geneva Convention to control the traffic in arms and munitions, wouldn't it?

Mr. MONAGHAN. I had nothing to do with any steps taken as to that.

Senator POPE. I am asking you whether you would not term "crazy ideas" including such a thing as that?

Mr. MONAGHAN. No. Except as I heard from time to time, since then, in not differentiating between military arms and otherwise. Under the act of Congress the State Department would place an embargo on all ammunition and munitions of war, but they do not differentiate or did not differentiate at that time when they put an embargo on, between military and sporting. When we have some sporting item we file an application with the State Department for a license.

Senator POPE. Yes; but I am trying to get what you meant here by this term. The term "crazy ideas" would cover, of course, the disarmament conference, wouldn't it?

Mr. MONAGHAN. Oh, no. I made it clear, I think, that when you can get all of the nations in an agreement on these things and it will become really operative, that is all right; I cannot see anything wrong with it; but to single out this country and say we cannot do it and let the others do it, is a different thing.

Senator POPE. Would it include the World Court, for instance, under the term "crazy ideas"?

Mr. MONAGHAN. I never made a study of the League of Nations or the World Court.

Senator POPE. I am trying to find out whether in your mind in using this term you had in mind all such efforts there to promote disarmament or to bring about adjustment of differences between nations.

Mr. MONAGHAN. No; that is far beyond what I meant, far beyond it.

Senator POPE. So now you say that this term "crazy ideas" included merely embargo acts or proposed embargoes?

Mr. MONAGHAN. The particular embargo, the way it was proposed at that time, I honestly considered was a very foolish, crazy idea.

Senator CLARK. That was the embargo that was talked to death by Senator Bingham, of Connecticut, in the closing days of the Seventy-second Congress, was it not? There was then pending before the Congress a recommendation before the President of the United States for an embargo act, which was sought to be passed in the Senate or brought up in the Senate on several different occasions and frustrated by a Senate filibuster on the part of Senator Bingham, of Connecticut. Is that the embargo that you refer to in this correspondence?

Mr. MONAGHAN. Yes, sir.

Senator Pope. Now, you close the letter with this statement:

> Hoping you are well and that the New Year will bring greater rewards than in the past.

Was that a sales talk, or did you mean that?

Now, I call attention to one final letter, which I will put in the record with the proper reference.

(Said letter referred to was marked "Exhibit No. 908", and is included in the appendix on p. 2393.)

Senator Pope. This letter is dated February 2, 1933, written to Mr. Monaghan by Mr. Spencer:

> I was very glad to receive your letter of January 4, and I can assure you that for the last couple of months I have worked very consistently in connection with possible business with the different countries at war, both with local representatives of these countries and, particularly, with the diplomatic agents rights here in Santiago. At times I wondered what the trouble was and why decisions were so slow, but knowing, as I do, the Latin countries and what the "land of manana" really means, I am not altogether surprised, although, of course, quite disappointed that nothing has come of the entire matter so far.
>
> I have spent quite a little money in telephonic calls—including one to New York—cables, and correspondence, in the hope, of course, that something would materialize in the interests of all.
>
> Only last evening the Paraguayan Minister read me a cable from his country saying that our quotations were under consideration and that a decision would be reached shortly.

And at the end of the page, the last paragraph:

> On receipt of your letter this morning I had an interview with both Ministers of Paraguay and Bolivia, and assured them positively that there would be no difficulty whatsoever in supplying any material that they wanted from American manufacturers, and for them to please advise their respective governments at once by cable that there were no restrictions whatever. I know for a fact that these cables were despatched, and I can but sincerely hope that we will get some results from these countries before long.

Then on the next page, the first paragraph:

> One of the last Grace steamers that came down from New York, according to press notices here, unloaded at Arica 276 cases of ammunition and something like 140 cases of firearms en route for Bolivia. What company in the States made this shipment, and how were they able to get the business?

So evidently your letter produced the desired effect upon him, because he got busy.

Mr. Monaghan. I might refer right there, talking about spot lighting words, which I naturally do after that last letter to "no restrictions whatever." Certainly there were restrictions. Cartridges had to be properly marked, "small arms ammunition."

Senator Pope. Well, he had reference particularly to no embargo restriction, didn't he, Mr. Monaghan, about which he had received very definite assurance from you to go ahead.

There will be a recess until 2 o'clock this afternoon.

(At 12:45 p.m. the committee recessed, to reconvene at 2 p.m. of the same day.)

This concludes that part of the testimony known as "Part X. Embargoes." At this point the committee took up the question of the background of chemical warfare, and the sale or interchange of military inventions and secret processes between American and foreign companies. (See Part XI.)

APPENDIX

("Exhibit No. 859½" appears in text on p. 2274)

Exhibit No. 860

GENERAL OUTLINE

I. Embargo (1919–1929):
  1. Warlord struggles (1919–1926):
    A. Material from letters.
  2. Kuomintang's northern expedition (1926–1928):
    A. Material from letters.
II. Embargo removed—shipped on Nanking's request (1929–   ):
  3. Inter-Kuomintang struggles (1929–   ):
    A. Material from letters.
  4. Anticommunist campaign (1930–   ):
    A. Material from letters.

I. *Embargo* (*1919–1929*).

1920–1922, WU AND CHANG

1. *Warlord struggles* (1919–1926). In north China for control of Peking.

A. War in summer of 1920. Chang Tso-lin (of Manchuria) and Wu Pei-fu defeat Tuan Chi-jui. Thereafter (until April 1922) Chang Tso-lin and Wu Pei-fu control the Peking Government.

SPRING OF 1922 TO OCTOBER 1924, WU PEI-FU

B. War in spring of 1922. In April 1922 Chang Tso-lin tries to crush growing power of Wu Pei-fu. Latter (with aid of Feng Yii-hsiang) defeats Chang Tso-lin, who withdraws to Manchuria. Wu Pei-fu controls Peking Government until 1924.

OCTOBER 1924–APRIL 1926–7, FENG YII-HSIANG

C. Warfare (August–October 1924) between Chang Tso-lin and Wu Pei-fu. Minor fighting around Shanghai ends in defeat of Chang's ally (in Chekiang Province) by Wu's ally (in Kiangsu Province). Major fighting in north ends in Chang Tso-lin's victory. Wu Pei-fu (betrayed by his ally, Feng Yii-hsiang) flees to Honan Province (ultimately gains control of Hankow area). Feng Yii-hsiang controls Peking Government. Chang Tso-lin (based on Manchuria) gains control of coastal areas southward from Tientsin to Shanghai.

D. Warfare around Shanghai in autumn of 1925. Sun Chuan-fang (allied with Feng Yii-hsiang) drives Chang Tso-lin's forces from Kiangsu and Anhwei Provinces into Shantung (October 17–November 16, 1925).

E. Warfare in north (1925–1926) between Chang Tso-lin and Feng Yii-hsiang. In November 1925 Chang Tso-lin seriously menaced by revolt of his subordinate general (Kuo Sung-ling), which threatened capture of Mukden. Japan makes known it will aid Chang Tso-lin (Cf. MacNair, *China in Revolution*, p. 61–62). Latter then enabled to defeat Kuo Sung-ling (captures and executes Kuo and his wife—December 25, 1925).

APRIL 1926–JUNE 1928, CHANG TSO-LIN

Feng Yii-hsiang captures Tientsin in December 1925. But weakened by Kuo Sung-ling's defeat, Feng Yii-hsiang evacuates Tientsin on March 22, 1926. In April, Feng also evacuates Peking. Withdraws his forces to northwest (Suiyuan Province); he himself visits Moscow. Chang Tso-lin thus gains control of Peking in April 1926. Controls Peking Government until Kuomintang forces capture Peking in June 1928.

N. B.—During these years (1919–1926) warfare also being carried on in south for control of Canton. Also local intraprovincial warfare.

2. *Kuomintang's northern expedition* (*June 1926 to December 1928*).

A. Reorganization of Kuomintang (1924–1926) with Soviet aid. Consolidation of control in Kwangtung and Kwangsi Provinces. Efficient organization, revolutionary spirit, fighting *élan*, appeal for popular support account for rapid victories beginning in 1926.

KUOMINTANG—NATIONALIST PARTY

B. June 1926, Kuomintang launches campaign against the northern militarists from Canton. At this time Wu Pei-fu controlled provinces north and south of Hankow (Honan, Hupeh, Hunan); Sun Chuan-fang controlled provinces around Shanghai (Fukien, Kiangsi, Chekiang, Kiangsu, Anhwei); Chang Tso-lin controlled Manchuria and North China Provinces (Chihli and Shantung).

C. Warfare (June–September 1926) against Wu Pie-fu forces in Hunan and Hypeh Provinces. Kuomintang cuts Wu Pie-fu's forces to pieces. Successively captures Changsha (July 13), Hanyang (September 6), Hankow (September 8), Wuchang (October 11).

D. Warfare (July 1926–March 1927) against Sun Chuan-fang's forces. Chiang Kai-shek (Kuomintang commander) defeats Sun Chuan-fang in Kiangsi, Fukien, Chekiang, and Kiangsu Provinces. Successively captures Nanchang (November 1926), Hangchow (February 18, 1927), Shanghai (March 22, 1927).

E. Chiang Kai-shek breaks with Kuomintang leaders at Hankow. Organizes Nanking Government (April 18, 1927).

CHIANG KAI-SHEK HEADS NANKING GOVERNMENT, 1928

F. Fighting (May–June 1927) by Kankow Kuomintang forces against Chang Tso-lin's forces in Honan Province. Tank Sheng-chih (Hankow Kuomintang general) and Feng Yii-hsiang (comes in from west to join Kuomintang) defeat Chang Tso-lin's forces in *severest fighting* of whole northern campaign. After his defeat, Chang Tso-lin withdraws to Peking and reorganizes the Peking Government (June 18, 1927). This remains the government recognized by the powers until June 1928.

G. Major operations suspended (July 1927–March 1928). But sporadic fighting continues in Anhwei, Shantung, Honan, and Chihli Provinces. Chiang Kai-shek utilizes this period to organize the Nanking Government on a conservative basis. Left Chinese leaders and Soviet advisers driven out. Workers unions (Shanghai, Hankow, Canton) and peasant leagues (in south-central provinces) smashed by wide-spread slaughters. Hereafter Nanking Government based on support of Chinese bankers and industrialists (in Shanghai and other cities) and on landlords (in rural areas).

H. Northern campaign renewed (March–June 1928) under Chiang Kai-shek, Feng Yii-hsiang, and Yen Hsi-shan (governor of Shansi Province, who now joins Kuomintang). Chiang Kai-shek's advance held up in Shantung Province by Japanese troops sent in to Tsinan. Chang Tso-lin's forces defeated by Feng Yii-hsiang and Yen Hsi-shan, who enter Peking on June 8, 1928. Chang Tso-lin withdraws to Manchuria, his train bombed (June 4th) and he is killed, but his son (Chang Hsiieh-liang) takes over control of Manchuria. On December 29, 1928, Chang Hsiieh-liang formally adhered to Nanking Government. During the summer of 1928, the major powers successfully recognized the Nanking Government.

II. *Removal of embargo* (1929-   ).

3. *Inter-Kuomintang Wars* (1929-   ).

A. With adherence of Manchuria (by Chang Hsiieh-liang at end of 1928) to the Nanking Government, the Kuomintang had completed the formal "unification" of China under its authority. But this so-called "unification" was purely nominal. The various Kuomintang generals maintained *de facto* control of their respective areas. Chiang Kai-shek controlled Provinces centering around Naking and Shanghai, Chang Hsiieh-liang dominated Manchuria, Feng Yii-hsiang controlled Honan, Yen Hsi-shan ruled Shansi, Li Tsung-jen and Pai Chung-hsi controlled areas about Hankow, Li Chi-shen controlled Kwangtung, etc. A new series of wars began in 1929 between these Kuomintang warlords.

B. Warfare (March–April 1929). Chiang Kai-shek defeats Li Tsung-jen and Pai Chung-hsi in sharp campaign in Hanow area. Li and Pai withdraw to Kwangsi Province, where they still remain.

CHIANG ESTIMATES HIS CASUALTIES AT 90,000, OPPONENTS AT 150,000
MAC NAIR, P. 178

C. War (May–September 1930). Chiang Kai-shek engages Fent Yii-hsiang in five months of *severe fighting* in Honan and Shantung Provinces. Chiang Kai-shek wins, but on September 19–20 Chang Hsiieh-liang steps in from Machuria and takes control of North China (Peking-Tientsin area).

In 1931–32 the Japanese occupation of Manchuria destroyed Chang Hsüeh-liang's base. He retained control of North China until the spring of 1933, when the Japanese invasion forced his resignation. These events enabled Chiang Kai-shek to take control of North China, where he sets up the Huang Fu régime. Huang Fu has increasingly met Japan's demands (restoration of through traffic between Peking and Mukden, setting up of customs stations along Great Wall, the border between "Manchoukuo" and North China, etc.).

D. In May 1931 Chen Chi-tang stages *coup d'état* at Canton and takes over Kwangtung Province. Chen Chi-tang still controls this Province, and has built up an efficient army (with arsenal, airplanes, etc.). Chen is closely connected with the Kwanksi warlords (Li Tsung-jen and Pai Chung-hsi). These southern leaders are the last effective rivals of Chiang Kai-shek for control of Kuomintang. They maintain quasi-friendly relations with Chiang Kai-shek, but permit politics in Southwestern Political Council to give forth vigorous denunciations of Chiang Kai-shek's dictatorship at Nanking from time to time.

E. Nineteenth Route Army's revolt in Fukien Province (October 1933–January 1934). Tsai Ting-kai, commander of 19th Route Army, supported by many of southern politics (not by Chen Chi-tang, however). Revolt quickly suppressed by Chiang Kai-shek, who utilized his airplanes to bombard Foochow.

4. Anti-Communist campaign (1930–).

A. Began on large scale in 1930–31. Since 1931 the heaviest fighting in China has been the continuous series of Chiang Kai-shek's campaign against the Chinese Soviet areas (chiefly in Kiangsi and Fukien Provinces, but also in parts of Huna, Hupeh, Anhwei, and Szechwan Provinces). In these Soviet areas the peasants have joined the remnants of the Communist Armies (left after Chiang Kai-shek's counterrevolution in 1927), driven out the local landlords and money lenders, divided up the land, and set up local soviets of peasants, workers, and soldiers. These local soviets grade up to a central administration (under Chu Te and Nao Tse-tung) which proclaimed the Soviet Republic of China on November 7, 1931.

Chiang Kai-shek's campaigns against these Soviet areas resulted in a series of defeats. The Soviet armies continually improved their military equipment by arms captured from Chiang Kai-shek's Kuomintang forces, or by deserting Kuomintang units. As the Soviet areas expanded and their armies grew larger, the scope of Chiang Kai-shek's operations against them steadily broadened. Since 1932 hundreds of thousands of troops have been engaged on both sides (some estimates placing the number of Chiang Kai-shek's troops in the field at 1,000,000). In recent months (largely through the use of bombing planes purchased from the United States) Chiang Kai-shek is reported to have occupied the central Soviet areas in Kiangsi and Fukien Provinces. The main body of the Communist forces, however, has apparently withdrawn intact, and is reported to be pushing westward through Hunan and Kweichow Provinces to Szechwan Province (the northern section of which is controlled by Chinese Soviet forces).

("Exhibit No. 861" appears in text on p. 2275)

("Exhibit No. 862" appears in text on p. 2276)

("Exhibit No. 863" appears in text on p. 2277)

Exhibit No. 864

[File: 75 I. V. Gillis]

[Military]

Sale of rifle powder in China. July 23, 1921.

Capt. I. V. Gillis,
Peking, China.

Dear Sir: Referring to your various communications which would indicate the possibility of considerable business of this character in China, providing the existing embargo was raised, we have thoroughly investigated the subject from this end and it now seems that the most likely method of getting the embargo raised would be through the development of positive business. We, therefore, ask that you use your best endeavors to secure a definite order for powder, taking care at the same time to safeguard our interests in making deliveries contingent upon our being able to get the embargo annulled or temporarily suspended, so that we will be enabled to make such delivery in an entirely legal manner.

In taking such an order, the price should be figured so that the powder will net us about 92 cents per pound here, but as this would necessarily be contingent to a certain extent on specifications, we will leave that subject for further consideration.

Specifications such as given in the copy of Mr. Doremus' letter of June 15th are too indefinite to give a real working basis. We can surmise from these specifications the type and granulation of powder required but that is all. You will note that he has omitted the weight of projectile in each case, and this is necessary together with as complete specifications as it is possible to obtain.

We ask that you look into this matter immediately and let us know the prospect for handling the business in the manner suggested.

Very truly yours,

K. K. V. CASEY, *Director.*

WWT/h.

("EXHIBIT NO. 865" appears in text on p. 2280)

EXHIBIT NO. 866

[File: MS–100–B]

MEMORANDUM FOR FILE

MAY 9, 1922.

VISIT TO BETHLEHEM STEEL COMPANY'S OFFICE FRIDAY, MAY 5TH

In order to follow up our letter of April 17th to Mr. G. W. Struble, manager of ordnance for the above company, and following instructions, visited Mr. Struble's office. They had just received a letter from the Holland Commercial Service Co., Ltd., regarding possible sale of F. & N. H. powder. I simply advised that this would receive careful consideration and was pleased to state that some advance had been made in our investigation of F. & N. H. powder, so that we were reasonably certain that we could reliably meet the ballistic requirements of small caliber guns with F. & N. H. powder.

Mr. Struble is not prepared to give an answer to our letter of April 17th, or to go into some of the details of this letter. The general situation as regards their development of foreign sales was gone into with results as follows:

(*a*) Their most active prospects are first, Holland; second, Brazil.

(*b*) They had just received an inquiry for antiaircraft guns from a firm in Macao, the Portuguese port in China. This brought about a discussion as to the practicability of using Macao as a port of entry for ordnance material intended for Asiatic use. The answer apparently is that this is a practicability, as Macao is a duty-free port and under Portuguese supervision.

(*c*) There are no South American developments, beyond those at Brazil, and the possibility of selling in Colombia. Mr. Struble intends to get in touch with General Pedro del Ostina, the new President-elect of Colombia. If possible, a joint discussion will be arranged for between the general and Bethlehem and Du Pont interests. The most recent reports that Bethlehem had from Brazil check up fairly well with the information which the writer has previously reported. This, briefly stated, is that the present political situation is very uncertain and nothing can be done until some of the outstanding issues are settled.

(*d*) Developments in Siam: The information contained in Col. W. N. Taylor's memorandum of April 8th was given to Mr. Struble in response to his question regarding further developments in this field. Mr. Struble will arrange for their representative, Mr. P. R. Embury, to get in touch with Col. Taylor in Paris.

(*e*) Mr. Struble inquired the name of the Spanish export company that is assisting in our sales to the Spanish Government. This name—Sociedad Espanola de Comercio Exterior—was given him, together with that of our representative, Mr. Caesar Michaux.

(*f*) The Bethlehem Steel Company as of September 5, 1913, entered into a contract with the Mexican Government for the supplying of 80 3″ mountain guns and 80,000 rounds of shrapnel for the same, in all totaling about $3,000,000. Contract was signed by Secretary of War Blauquet, but financial and other arrangements have never been completed by which Bethlehem could fill the contract. About seventeen thousand dollars' worth of stamps was placed on the contract, and this has been a sore point with Bethlehem ever since. They seem unable to determine whether this is to be considered simply as a loss or a prospect which may be revived at some time in the near future.

Another important topic of discussion was that the Bethlehem Steel Company has found our State Department of very little assistance in handling any of their problems in which it might be expected that our State Department would be of assistance. For instance, there is ample evidence at hand to show that the British naval attaché for South America is deliberately making false statements regarding the Bethlehem Steel Company's 14″ naval guns, for the purpose of injuring Bethlehem sales and possibly hoping to aid British ordnance firms in making sales. This is simply another confirmation of information that has come to us to the effect that the British are the most active and at the same time the most dishonest and unscrupulous competitors of American firms in South American fields.

C. I. B. Henning.

CIBH/N.

("Exhibit No. 867" appears in text on p. 2285)

("Exhibit No. 868" appears in text on p. 2285)

Exhibit No. 869

[File 75—I. V. Gillis]

Captain I. V. Gillis,
Peking, China.

June 10, 1924.

Dear Sir: We beg to acknowledge receipt of your reports for the months of March and April.

Explosives works.—We have talked this project over with Mr. Pickard, who has handed on to us your letter of April 6th on this subject. We have already submitted the proposition to our explosives department and hope to be able to mail you within the next thirty days a memorandum setting forth the general lines along which the explosives department would be interested in organizing an explosives company, constructing a factory, and manufacturing explosives in China.

Embargo.—We have talked this subject over with the State Department and also with our Navy, but to date we do not seem to have been successful in getting either of the above mentioned departments to come to any action. We intend to keep after our State Department and make them see the facts as you have reported them to us. We will keep you advised of all developments.

Powder.—We note that the powder sold by the Norsk Spraengstofindustri was scheduled to arrive in China during the month of May. If you can procure any information regarding the quality and composition of powder supplied, please do so, and forward same to us.

Exhibit.—We are preparing to forward you a complete exhibit of explosives and propellant powders manufactured by the company. This exhibit will contain dummy explosives and powder, but the samples will look almost the same as the real explosives and powder. We will advise you under separate cover when the exhibit is ready to go forward.

Very truly yours,

K. K. V. Casey, *Director.*

WHO'G/h

EXHIBIT No. 870

I. V. GILLIS,
Peking, China, July 31st, 1924.

Report for July.

K. K. V. CASEY, Esq.,
Director of Military Sales Division,
E. I. du Pont de Nemours and Company, Wilmington, Delaware.

DEAR SIR: The following is my report for the month of July.

Embargo.—The embargo becomes more and more of a farce from day to day, and the inspector general of customs, Sir Francis Aglen, openly admits the fact, and states that he is powerless to prevent munitions of war from being imported. Hardly a day goes by without the press carrying an article on the subject.

It seems that all munitions confiscated by the customs on account of illegal entry are turned over to the local authorities (military, of course) according to the official procedure in such cases. All the military officials have to do is to order munitions sent to a certain port and wait for the customs to seize them, after which they fall into their own hands in natural course.

Only a few weeks ago an American vessel arrived at Shanghai loaded with lumber as far as the manifest showed, but also carrying a large consignment of arms and munitions, and while discharging the lumber she also succeeded in landing the greater part of the munitions before the customs discovered what was going on. The small amount remaining was confiscated, but even these will eventually find their way into the hands of the military officials.

The other day the Japanese Legation gave out to the press as a piece of news a detailed account of a contract for arms which they stated was made by an American, assisted by one of the secretaries of the American Legation and an ex-naval attaché now a resident of Peking, which of course referred to me. They added that the contract was signed at our Legation—this as a final touch to show that our Government was not attempting to carry out the embargo. Of course the thing was wholly a fabrication as far as America and Americans are concerned, and the probability is that an Italian deal which was actually put through with the Italians and with the assistance of that Legation is what the Japanese Legation referred to and confused the names, and, many think, intentionally. The idea being that it was a "smoke screen" to attract attention of everybody to us while they put over something themselves.

Political situation.—There is no change in the political situation, and no premier has been elected to take the place of Sun Pao-chi, who resigned some little time ago. Dr. W. W. Yen, a returned student from the United States, has been nominated for the post, but his name cannot be put before parliament until terms have been arranged with the members as to how much they are to be paid each for voting for him. Members of parliament in China do not vote for important measures that the government wishes to put through without due and sufficient monetary compensation. A sorry lot they are and beneath contempt.

Finances.—Finances remain much as in the past, and running expenses are helped along by petty loans from time to time at exorbitant rates of interest, but the officials don't care, for they all get their "rake-off."

Miscellaneous.—The agent for the Norwegian powder works is still out of town, so I have not been able as yet to obtain the information that you desire.

Yours very truly,

I. V. GILLIS.

("EXHIBIT No. 871" appears in text on p. 2290)

("EXHIBIT No. 872" appears in text on p. 2291)

Exhibit No. 873

[File 75—I. V. Gillis]

[1st page only]

I. V. Gillis,
Peking, China, October 5th, 1924.

Report for September.

K. K. V. Casey, Esq.,
Director of Military Sales Division,
E. I. du Pont de Nemours and Company, Wilmington, Del.

Dear Sir: The following is my report for the month of September.

POWDER IMPORTS

In my last report I stated that the agent of the Norsk Spraengstofindustri was at Moukden negotiating with the authorities there for another order for powder and explosives. He returned to Peking a few days ago and told me that he had secured an order for over 300 tons, and after but a stop of a few days in Peking he left for Europe (via Siberia) last week to expedite delivery. He stated that the powder furnished Moukden had been found to be very satisfactory, and that he had little or no difficulty in securing this good sized repeat order of 300 odd tons.

However, the powder supplied the Kunghsien arsenal seems not to have been so satisfactory, for he had 6 tons turned back upon his hands, so he informs me. He said that the trouble was that there was not complete combustion. He also added that General Chiang was constantly referring to the powder bought from Du Ponts, comparing its excellence with the Norwegian powder, and saying that the best he had ever bought was that supplied by us.

On account of the early departure of the Norwegian agent I was unable to get the data with regard to ballistic and stability tests, and now that the "war" is on I fear that this will be somewhat difficult, but I will continue to endeavor to obtain this data for you.

EMBARGO

The above information shows you just how effective the embargo is in keeping military supplies and powder and explosives out of China. Eighteen French aeroplanes are at Shanghai now and will be delivered to the Moukden authorities shortly, and although the Chinese Government has protested to the French Legation, the reply of the latter is that as the planes are commercial ones they cannot interfere in legitimate commercial business, although everybody knows that they are for Chang Tso-lin. Three years ago when there was no "war" on I was prevented from selling an order of 100 planes through interference of the British Legation and an appeal by them to our own Legation, notwithstanding the fact that Vickers had sold a 100 planes to the Chinese Government not many months before. The British Legation was supporting Vickers, as against Handley-Page (for whom I put the business through), and wanted no competition by either other British firms or American ones.

("Exhibit No. 874" appears in text on p. 2295)

Exhibit No. 875

[File: 75—I. V. Gillis]

["I Li Shou"]

I. V. Gillis,
Peking, China, May 28th, 1925.

K. K. V. Casey, Esq.,
Director of Military Sales Division,
E. I. du Pont de Nemours and Co., Wilmington, Del.

Dear Sir: I would bring to your attention the following details in connection with the 20 tons of trinitrotoluol (TNT) sold by the company to the China and Japan Trading Company through their New York office, believing that they will interest you, for the final destination of the TNT was Chang Tso-lin's arsenal at Moukden, and there was an open and flagrant consent to a violation of the arms embargo on the part of the Japanese authorities.

The TNT reached Kobe on September 12th, 1924, per the steamer Edmore, of the Admiral Oriental Line, and consisted of 996 cases of 80% trinitrotoluol, the cases being marked as follows:

C: J / T: C	Kobe	Highly Explosive 80% Trinitrotoluol
	45 lbs.	

Made by E. I. du Pont de Nemours and Co.,
Wilmington, Delaware.

It was sold apparently to the Kanai Shoten, of Tokyo, and by this company shipped (resold) to the Manshu Kozan Kayaka Kabushiki Kaisha (Manshu Kwozan Kwayaku Kabushiki Kaisha ?)—The Manchuria Mining Explosives Company—at Antung, Manchuria. (Antung is on the Chinese side of the Yalu River just across the border from Korea and this company has an explosives works there.)

The shipment was made per steamer Toryu Maru, but although this vessel did go to Antung, nevertheless the TNT was landed at Chinnampo, Korea, and sent by rail to Antung and Moukden. There is a Chinese customs house at Antung, and when the shipment arrived the Japanese consul certified that this TNT was for industrial purposes. I am informed that the documents contained the following statement: "Dyestuffs (trinitrotoluol) for dyeing powder."

I believe that the State Department is fully informed of all the circumstances in connection with this shipment.

I have obtained further particulars with reference to the explosives supplied by the Norsk Spraengstofindustri, as follows:

The shipment was made direct from Norway per a Norwegian steamer, and the passage out to China was via the Cape of Good Hope, and not through the Suez Canal, and no stops were made en route—a direct through trip to Newchwang (Manchuria), where the explosives were landed.

There were—

4,173 cases (25 kilos net) of 7.9 m/m rifle ballistite.
544 cases (25 kilos net) of Browning ballistite.
1,270 cases (25 kilos) net of 75 m/m field gun ballistite.
100 cases (66 pounds net) of black powder.
3,139 cases (100 kilos net) of trinitrotoluol.

which makes roughly, say 150 tons of ballistite, 300 tons of trinitrotoluol, and 3 tons of black powder. The black powder is said to have been made in England, the TNT in Sweden, and the ballistite in Norway.

I had a talk with the seller, Mr. A. L. Gran, and he did not hesitate to let me know what he had been doing, although most of the particulars that I have given were obtained from other sources. He stated that the American Government had protested to the Norwegian Government about the shipment, but that the latter had replied that although sympathetic with the embargo arrangement and willing to become a party to it, yet they could not consider doing so unless all manufacturing countries entered into an agreement, for otherwise all they would be doing would be to deprive their own nationals from doing business while other nationals were assisted and aided in by their governments. That Norway was not a party to the arms-embargo agreement, and hence was disinclined to interfere with the legitimate trade of her nationals.

It is hardly necessary for me to inform you that all of this business I could have had, as it was offered to me before taken up with Mr. Gran. Now that the Moukden arsenal has begun to use these Norwegian explosives and gotten into friendly business relations with Mr. Gran it will be very difficult for us to compete, even if the embargo is lifted by the American Government. So much for futile altruism.

Another shipment of military supplies may be of interest to you, and this is one made by the Italians to Chang Tso-lin of 16,000, 7.9 m/m Mauser rifles and 28,000,000 cartridges. These arrived at Newchwang at the end of April, a few days before the explosives referred to above.

As far as I can learn, these rifles and ammunition were captured from the Austrians by the Italians, sold by the government to a private firm for resale in China. In other words, the Italian Government is practically a party to the transaction.

I have learned that the cartridges are very defective, and that about one in four only is good. They were manufactured (some of them) as far back as 1915, and the greater part of them came from the Spandau arsenal.

The price paid for the whole lot is said to be six million local currency (about $3,250,000 gold), and all but $200,000 LC has been paid over, so friend Chang Tso-lin has been badly "stung" in this case apparently.

I understand that the British authorities did take action in the case of this shipment, and that although this vessel started through the Suez Canal, that she was held up and had to go around the Cape of Good Hope. This from one source of information, but I am not sure of the correctness of this, for Mr. Gran was in Newchwang when the German vessel, which brought the rifles and ammunition, was there, and he told me quite plainly that the steamer did come out by Suez. The point is of no great importance, except as to possible action on the part of the British authorities.

Of course, my hands are completely tied, and the legation is in no position to take any action independent of the State Department, and the stand of the latter seems to be firm that no export of military equipment or explosives to China from the United States will be permitted, so until the embargo is raised I will not be in a position to do any business in the explosives line.

I expect to go to Moukden about three weeks from now, and I will endeavor to get all the information I can as to the exact situation there.

Yours very truly,

I. V. Gillis.

("Exhibit No. 876" appears in text on p. 2301)

Exhibit No. 877

[File 94—Japanese Government]

[Confidential]

I. K. & Co.,
Tokyo, Oct. 22, 1925.

Major K. K. V. Casey,
Military Sales Division, E. I. du Pont de Nemours & Co.,
Wilmington, Del., U. S. A.

Dear Sir:—We beg to acknowledge receipt of your letter of the 29th ult., from which we precisely understood that you can not quote on nitroglycerine powder without specification. We are quite aware of your difficulty. However, you must have observed our fixed position from the report the writer mailed from Moukden, Manchuria, some time ago.

We have also received your cable reply in response to our cable of yesterday as confirmation copies herein enclosed, respectively. We are somewhat discouraged that we cannot have a definite information until the 29th instant though we realize the difficulities in locating thirty thousands of second-hand rifles.

As you might have surmised the uproaring condition prevailing all over China, transportation became much harder due to interference of the powers, specially Japan, while the party who is making the above inquiry is in a hurry. According to the paper, one of the generals under command of Marshal Chang is marching toward south, posting about twenty-five hundreds of Russian infantry on the first line. This may sound very odd, yet there is possibility of such thing in that mysterious country. Under these consideration, we are afraid, very much, that Russians, in cooperation with Germans, may furnish all necessary materials to them taking advantage of Siberian Railway.

So far as present observation concerns, the Central Government will win the war and after that you will have an opportunity to establish a corporation under your name, if you wish, to manufacture both propellant and explosive in Manchuria, which means tremendous profit to you. The Governor of Moukden expressed his desire to that effect to the writer thou he did* the latter not advanced any negotiation in this premises. We shall be pleased to hear your opinion about this matter so that we can negotiate with them when chance comes in accordance to your direction.

Very truly yours, (S) H. H. Ibusuki.

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* Pencil markings.

Exhibit No. 878

[File: 75—I. V. Gillis]

I. V. Gillis,
Peking, China, June 30th, 1925.

Report for June.

K. K. V. Casey, Esq.,
Director of Military Sales Division,
E. I. du Pont de Nemours and Company, Wilmington, Delaware.

Dear Sir: The following is my report for the month of June.

POLITICAL CONDITIONS

These can best be described by the single word "chaotic." Undoubtedly the newspapers have given you a fairly good account of what has been transpiring, but just what the outcome is to be no one knows. On the surface the movement seems to be directed against the British and Japanese (although the latter are putting forth every effort to shift all blame upon the British, and it is currently stated that a good deal of money is being expended with this end in view), however, it is fast developing into an antiforeign movement, and if the authorities do not take promp taction the situation will undoubtedly get out of their control, for it is never to be lost sight of that Comrade Karakhan and the Soviet are backing the movement to the limit, both with money and advice.

We have enough to contend with here, but when to our local difficulties are added the vaporings of such people as Borah at home it is just a little too much. He may be a very clever politician, but if his other activities as a statesman and the chairman of the Foreign Relations Committee of the Senate are based on no sounder knowledge than that that he apparently has of China and the situation, then may the good Lord help us in our foreign affairs. Balaam's ass seems to have been able to talk a little sense, but this one seems to be entirely lacking in knowledge as far as China and the present situation out here is concerned, and it is apparently a case of "shooting off his mouth" for political effect, but it has certainly done us much harm.

I shall not go into the situation in detail, because it is impossible to venture a suggestion as to what is going to happen and anything that I might say will be stale by the time that it reaches, as events are following each other so quickly, but I can say this—conditions are far from satisfactory and nothing is to be gained by ill-advised statements at home based on superficial knowledge of the situation and conditions here in China. Our high officials should keep their mouths shut at present and not air their personal views to the press.

FINANCIAL CONDITIONS

I can describe such without great difficulty. Vacuum. Bust. For any one to get money out of the Chinese Government at the present time would be about as difficult as getting blood out of a turnip.

MISCELLANEOUS

Mr. Kinsman and Doctor Noelting were here in Peking for a few days at the beginning of the month and I had the pleasure of seeing them and talking over the situation. It is a very good thing indeed for some of the head office people to come out here once in a while and get a "close up" of the situation. Why don't you yourself combine business and pleasure and come out for a few weeks? The best time is the fall, as far as the weather is concerned.

I note your letter of May 23d with regard to the new minister, Mr. MacMurray, and your talk with him about the arms embargo. I have written you fully not long ago as to the open violation of the same on the part of the Japanese and Italians.

As to representation in Japan, I note that you have appointed a Mr. H. H. Ibusuki as your agent there. I would ask what arrangements you have made with him should he be able to do business in China? It is more than probable that he will be able to arrange purchases for the Chinese military people through a dummy purchaser in Japan, and then ship to China from Japan, as the Japanese authorities are more than inclined to disregard the embargo and "wink" at such transactions. Have you arranged to protect me in such cases in my own territory? In connection with this question, please note the shipment of T. N. T. to Moukden via Japan that I reported fully upon in my letter dated the 28th of May.

Yours very truly,
I. V. Gillis.

Exhibit No. 879

AGENCY AGREEMENT WITH H. IBUSUKI

We agree to appoint Mr. Ibusuki as our exclusive agent for the sale of military propellants and military explosives in Japan. The agency agreement is to extend over over a period of two years from date. Mr. Ibusuki agrees to divide his time solely to the sale of our military products, together with any other products for which the du Pont Company may give him the sales agency in Japan. We will give Mr. Ibusuki quotations on our military powders which will contain a commission of 15% for him. All our prices will be f. o.b. our plant, and in the event that Mr. Ibusuki advises us that competitors' prices are lower and indicates to us the price at which he can secure the business, we will advise him by telegraph our minimum sales quotation, which in all cases will contain a 15% commission for him.

If Mr. Ibusuki concludes a sale at a price lower than our minimum sales price, the difference between his sales price and our minimum sales price will be debited against his commission, as, for example, assuming our quotation to Mr. Ibusuki on FNH powder is $1.00 per pound, f. o. b. our plant, and that this price contains a 15% commission for him; further assuming that he finds he can secure an order at 95¢ per pound, and so advises us by cable, we will cable to him our minimum sales price. If we cable him a price of 97¢ per pound, said price will contain a 15% commission; and if he concludes a sale of 95¢, we will deduct from his commission 2¢ per pound. His commission on our 97¢ price would amount $14.55 and his loss on this sale at 2¢ per pound would bring his commission down to 12.55¢ per pound. If he finds that extraordinary expenses were necessary to make a sale and that his 15% commission will not take care of said expenses, he is free to raise our selling price, in which case, if an order results, said order will be taken by him and he, in turn, will place it on us, we making sale to Ibusuki at our regular sales price less 15%.

It is agreed that all sales to Japan will be made on the basis of cash against shipping documents, providing the purchaser can satisfy the du Pont Company, or its office in Kobe, Japan, as to its financial standing. Mr. Ibusuki will endeavor to have an irrevocable credit established in New York for any or all sales which he may make in Japan, unless the purchaser is a firm of exceedingly good financial standing, or the Japanese Army or Navy. On sales of large quantities of military powder the contract should provide for an advanced payment, together with inspection and acceptance in this country.

We will supply small samples of powder free of charge, but granulation samples will have to be paid for by the customer and will be sold by us at the same price of powder in quantity.

We cannot make any agreement regarding the sale of military powders to China because of the existing embargo. However, if the embargo is lifted within the period of this agreement, we will extend Mr. Ibusuki's territory to include China; and, likewise, if the U. S. Government establishes domestic relations with Siberia or Asiatic Russia, we will offer to Mr. Ibusuki an agency agreement in said countries.

W. H. O'Gorman.

WHO'G/h.

Exhibit No. 880

[File—94 Japanese Government]

March 1925.

This agreement between E. I. du Pont de Nemours & Company, Inc., (herein referred to as the du Pont Company), and Mr. Hide Hiko Ibusuki now of New York.

Witnesseth: That the du Pont Company appoints Mr. Ibusuki its exclusive agent for the sale of military propellants and military explosives in Japan;

and Mr. Ibusuki agrees to devote his entire time to the sale of said propellants and explosives in Japan (together with any other products for which the du Pont Company may give him the sales agency).

On all sales of said propellants and explosives in Japan, made during the period of this agreement, Mr. Ibusuki is to receive a commission of 15% of the net selling price, as and when such price is received by the du Pont Company.

In no case shall any sale, or contract for sale, be effective unless and until it shall have been approved by the du Pont Company in writing.

All sales, and contracts for sales, are to be made in the name of the du Pont Company and on such terms and conditions, and at such prices, as the du Pont Company shall direct, except that the du Pont Company will be satisfied to make a sale at less than its quoted price, if Mr. Ibusuki will pay the difference out of his commission. The du Pont Company will, by cablegrams or letters, inform Mr. Ibusuki as to prices, terms, and deliveries, so as to enable him to make preliminary negotiations for orders or contracts with prospective purchasers.

In the matter of payment, Mr. Ibusuki is to endeavor to have an irrevocable credit established in New York; but in the case of purchasers whose financial standing is satisfactory to the du Pont Company, it is expected that contracts will be acceptable if they provide for cash against shipping documents at New York City, U.S.A.

It is also understood that, although the du Pont Company may furnish small samples of powder without charge, granulation samples will have to be paid for by the customer.

If notified, in advance, of Mr. Ibusuki's desire to handle a particular sale on his own account, and not on the agency basis, the du Pont Company will contract—if terms satisfactory to both parties shall be agreed on—to sell military propellants or military explosives to Mr. Ibusuki, and Mr. Ibusuki may then resell the goods on his own behalf and for his own account.

This agreement shall become effective ——— first, A. D. 1925 (before which date Mr. Ibusuki shall have returned to Japan), and it shall terminate two years after said date, unless extended by writing signed by both parties. It is expressly agreed that on all orders taken by the du Pont Company for the sale of military propellants and military explosives in Japan, or contracts as to the same formally entered into by it, within one year after the expiration of the above-mentioned two-year period, or any extension thereof, Mr. Ibusuki shall receive a commission of 5% of the net selling price as and when received by the du Pont Company, whether or not such orders or contracts were initiated by him; but otherwise he is to have no claims for any commission whatsoever, except on orders taken or contracts formally accepted by the du Pont Company within said two-year period or its extension.

In the event of war, wherein either Japan or the United States of America may become engaged, this agreement (unless continued by mutual consent) shall ipso facto terminate without obligation to make any payment to Mr. Ibusuki, except on orders already taken or contracts already formally accepted by it at that time.

In witness whereof the du Pont Company has caused these presents to be signed by its Director of Military Sales, and Mr. Hide Hiko Ibusuki has hereunto affixed his hand, at Wilmington, Delaware, U.S.A., this — day of March, A.D. 1925.

E. I. du Pont de Nemours & Company, Inc.

By ------------------------------------

("Exhibit No. 881" appears in text on p. 2307)

EXHIBIT No. 882

I. V. GILLIS,
Peking, China, December 10th, 1926.

Report for November.

K. K. V. CASEY, ESQ.,
Director of Military Sales Division,
E. I. du Pont de Nemours & Co., Wilmington, Del.:

FOREIGN RELATIONS

As you are well aware, there is a great cry for "rights recovery" and the abolition of the so-called unequal and unilateral treaties, much of which is but clap-trap of our own political kind. Nevertheless, it is making for trouble here in the way of antiforeignism which the Chinese authorities may find they cannot control. It is simply a case of the Boxer business over again; the Manchus tried to divert attention from their tottering dynasty by starting the Boxer movement against foreigners which soon reached such proportions that the old Empress Dowager no longer had any control over the leaders. The same thing may happen again with the Kuo Min Tang, should they gain control over the country, for they are taking no steps at all to control the antiforeign spirit that is rampant wherever they take charge, as at Hankow and elsewhere. I feel convinced of one thing, and this is that if the southerners do win out and get entire control of the country inside the Great Wall that the first thing they will do is to abrogate all treaties with the powers except those with Germany and Soviet Russia.

FINANCIAL CONDITIONS

I can say nothing different than what I have been telling you in all my recent reports—an empty treasury; government officials, teachers, and others not paid for months and months. Every available cent is grabbed by the military officials for their endless squabbles and to line their own pockets and build mansions in the foreign concessions to serve as funk holes in time of trouble. I am sending you herewith a clipping as to taxes in Shantung Province which will give you an idea of how the military squeeze the people of this poor country, and the same goes on all over the country from one end to the other—no province or district is exempt from these illegal exactions. I also enclose a circular letter relating to an illegal tax imposed right here in Peking under the very noses of the supine diplomatic corps.

EMBARGO

The violations of the embargo go merrily on, and I send you a couple of recent clippings on the subject. Our friend M. Briand must have had his tongue in his cheek when he said that France was loyally and without default complying with France's international obligation. Not a single one of the airplanes sold by France to Chang Tso-lin is being used for other than military purposes as far as I know, and only this morning the newspapers recorded that no less than forty of Chang Tso-lin's airplanes have been ordered to proceed south via the Peking Hankow Railway. My information is that every one of these planes came from France.

MISCELLANEOUS

I am sending you the last number of "The Constitutionalist", thinking it may interest you. I also enclose a recent number of the Chinese Economic Bulletin which gives a list of labor unions recently formed at Hankow. The Kuo Min Tang has a department especially devoted to the organization of unions and as soon as they got control of Wuchang and Hankow this department lost no time in getting to work as you will see from the list.

Some seem to think that if and when the Nationalist Party get control of the country that they will change the capital to Nanking, and I must say that I am one of the number, but it is rather early to discuss this possibility, but I shall keep you informed of course.

Yours very truly,
I. V. GILLIS.

Above excerpt has been taken from paragraph "Foreign relations" at bottom of page 2 and all of page 3.

EXHIBIT No. 883

I. V. GILLIS,
Peking, China, December 13th, 1926.
[* I. V. GILLIS, *Peking, China.*]

Subject: Arms Embargo.

K. K. V. CASEY, Esq.,
Director of Military Sales Division,
E. I. du Pont de Nemours and Company, Wilmington, Delaware.

DEAR SIR: I have to acknowledge the receipt of your letter dated the 8th of November requesting that I make a special report on the subject of the arms embargo and giving a list of points which you particularly desire information about.

I shall not go into details as to how the embargo arrangement originated, for with that you are undoubtedly well acquainted, and will pass on to your list of items.

(*a*) I do not believe that any foreign governments themselves have been selling munitions to China in violation of the embargo, but it is notorious that the Italian Government has sold war material to its nationals for resale in China, and this has been going on for years and practically openly. No less than two weeks ago a man here approached me with an offer to sell 10,000 Italian rifles and a consignment of Mauser pistols, together with the necessary ammunition for the same, which he had in stock ready for delivery in 48 hours.

The same is true of Japan. Discarded (and some new) war material has been sold to Japanese firms and apparently no serious attempt made to check up its destination, and I hardly need tell you that if the Jananese Government and its officials had not shut their eyes to what has been going on not a single cartridge could have been exported from Japan. Not only have the officials in Japan winked at the whole business, but the same may be said of the Japanese consuls in China, as well as the Japanese customs officials in the Chinese Maritime Customs Service. You will recollect that I reported to you the case of TNT that the company sold to the American Trading Company, and how it was invoiced as "dye stuffs for dyeing powder." (See my letter of May 28th, 1925, for details.) My letter of March 31st, 1925, also refers to shipments of munitions from Japan to China.

Now, for the French. France seems to have a monopoly of the aeroplane business, and most of the planes bought by the military authorities in China (at least here in the north) have come from that country and Frenchmen are assisting to run that service to a great extent, especially so in Manchuria where most of the planes are to be found, for Chang Tso-lin has gone in for the air service far more extensively than any of the other war lords. In my letter of October 5th, 1924, I reported the import of 18 planes, and since then there have been repeat orders for French machines from time to time. I understand that another lot will be delivered to Chang Tso-lin shortly, and in my last report I sent you a clipping which referred to the subject—M. Briand stating that all these machines were commercial planes, whereas as far as I am aware not a single machine is being used for other than military purposes and not one owned by other than military officials—no postal planes, for example.

Of course the nonsignatory powers to the arms embargo agreement make no attempt whatsoever to interfere with their nationals selling munitions to China, and the Germans, Russians, Danes, Norwegians, and others are doing a brisk business all the time. My reports have referred to this, and I would invite your attention to my letters dated July 31, 1924, May 10, 1925.

You ask the names of corporations and individuals selling to China and the war lords munitions. This is not an easy question to answer, for most of the business is done very quietly in order not to cause undue comment, as well as prevent opponents from knowing what one is buying. Both A. L. Gran, a Norwegian, and the firm of Nielsen & Winther (Danish) have sold explosives in large quantities to Chang Tso-lin. I will endeavor if possible to ascertain other names, but it will not be easy.

(*b*) This is a question extremely difficult to answer, for not only are there no published statistics on the subject but much of the war material has been smuggled in. As to type—I can answer this partially by stating that rifles, pistols, and aeroplanes, together with the smaller calibre machine gun, anti·

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* Pencil markings.

aircraft guns, and field and mountain guns have all been imported; also, of course, explosives of all kinds. Small arms have come chiefly from Germany, Italy, and Japan. Explosives from Norway and Denmark, with a certain quantity from Germany. Aeroplanes chiefly from France. Antiaircraft guns from Italy. Feng Yu-hsiang's artillery from Russia. Chang Tso-lin has ample facilities for manufacturing his own artillery, and is increasing these facilities constantly. A few small tanks may have been imported, but I do not believe so, although there have been rumors to that effect.

(*c*) These contracts are all negotiated with the individual "war lords" through local agents and arms dealers, and I do not believe that the Central Government (so-called) has bought a single dollars' worth of munitions for several years past. These dealers generally have someone in close touch with the office of the "war lord" and thus keep informed of what is going on. It is a very lucrative business for all concerned, except the poor Chinese people who are taxed to the limit to pay for the munitions and the graft for all hands that goes with the purchase.

(*d*) As to the methods used in making shipment to China and delivery to ultimate destination. These may be divided into three general classes: Legitimate import with proper permit; unauthorized import and confiscation by the customs authorities with further confiscation by the local military authorities for whom the munitions have been destined; smuggling.

All articles classed as munitions of war may not be imported without a permit issued by the Ministry of War, which permit goes by the Chinese name of "huchao." This "huchao" is sometimes obtained by the foreign importer and sometimes by the military authorities for whom the material is being imported. Upon presenting this "huchao", to the maritime customs authorities the cargo is released. In the case of Chang Tso-lin this procedure is not carried out, for he has arranged with the customs to issue his own "huchaos" and such are accepted without question, and the Central Government and Ministry of War have nothing to say in the matter at all. With the procedure at Canton I am unacquainted, but as Canton has noting to do with the Central Government and refuses to recognize it in any way whatsoever I assume that the procedure is similar to that in the case of Chang Tso-lin.

Sometimes attempt is made to import with a "huchao" from the Minister of War, but this can only be done in the case of a military satrap so strong as to be able to ignore the customs. The cargo is first confiscated by the customs authorities as being "forbidden goods", and then reconfiscated by the military authorities concerned. I would refer you to my letter of July 31, 1924.

The third method, smuggling, needs no explanation.

You inquire further as to methods of shipment. In most cases the war material isc shipped like any other form of cargo—I refer here to authorized imports covered by a proper "huchao." Some shipments have been made by a specially chartered steamer, as I have already reported in the case of explosives sold to Chang Tso-lin by A. L. Gran. Shipments to Moukden from Japan generally go by rail through Antung (on the Korean border), but some also go through Dairen.

Another method is described in my report of July 31st, 1924. As to smuggled munitions, I am unable to give you any definite information.

To sum up, I would state that it is my candid opinion that with the exception of our own Government and that of Great Britain not a single one of the signatories to the Arms Embargo Agreement has made any serious attempt to prevent their nationals from shipping munitions of war to China, although in some cases they have attempted to camouflage the business as being of a commercial nature, as in the case of France with the aeroplanes.

As to Great Britain, the export of military equipment has been permitted, such as steel helmets in large quantities, but as far as I am aware nothing in the shape of *offensive* material. Also, certain explosives have been purchased in England for continental interests and resold to China, but I feel certain that this has been done as a legitimate transaction and with no knowledge on the part of the British authorities as to the final destination of the powder.

One may see Thompson guns here in China, and undoubtedly they have been first sold in some other country and then reexported here, and the American authorities have had not the slightest knowledge of the final destination of them.

From the above I believe that you will see that the so-called "Arms Embargo" is ineffective to prevent munitions of war from being imported into China, and all that it does is to deprive Americans from a trade which our own

Government informed Germany it considered was quite legitimate and one with which it could not interfere—this before we came into the war. If I am not mistaken, I believe that the correspondence on this subject giving the reasons for our State Department assuming this attitude will be found in the American Journal of International Law. I seem to recollect having read something about it in that journal, so I will try to look the subject up in my files, but I would suggest that you might refer to the secretary of the society at Washington, as he might be able to locate the article at once.

Hoping that the above will give you a general idea of my views as to the embargo, I am,

Yours very truly,

I. V. GILLIS.

P. S.—Since writing the above I have found the references that I mentioned and they are as follows: American Journal of International Law, vol. X, no. 3; The sale of munitions of war, pp. 467 to 491; Neutrality and the sale of arms, pp. 543 to 555; (See especially page 553); also, see Moore's International Law Digest, pp. 955 to 973 (also) * * *.

In view of all the above, it would seem that our beloved Government is somewhat inconsistent in placing an embargo against the exportation of munitions of war from the United States and their import into China, for it is certainly taking sides in the internal struggle that is going on here. Some of the belligerants are well equipped with arsenals while others are not.

I. V. G.

* * * Special supplement of the journal, July 1915, pp. 90, 125–129; exportation of arms and munitions, 217.

("EXHIBIT No. 884" appears in text on p. 2312)

EXHIBIT No. 885

[File: MS–80–A. D–1601]

Col. W. N. TAYLOR, AUGUST 22, 1928.
16 Place Vendome, Paris, France.

DEAR SIR: Receipt is acknowledged of your letter T–1352 of August 9th (subject: China) in which you advise us of the presence at The Hague of a Chinese commission representing the new Chinese Government, which is receiving offers for munitions of all sorts and paying cash for such materials as they purchase.

You ask us if we are authorized to sell powder and high explosives to this commission in Holland for delivery direct to China, and we regret to advise you at the present time it is impossible for any American firm to sell munitions of any sort for delivery in China because of the Chinese arms embargo, which was entered into under date of May 5, 1919, whereby the Governments of Great Britain, Spain, Portugal, France, Japan agreed to restrain their nationals from exporting or importing arms and munitions into China until a Chinese government was established which was recognized throughout the entire country. This treaty was subsequently ratified by the Netherlands, Denmark, Belgium, and Italy, as well as other minor countries which do not manufacture or export munitions, but was never entered into by Norway, Sweden, Germany, Austria, and other countries which do manufacture and export.

Since the time of ratification of the above treaty, the violations by nationals of the signatory powers, with the exception of the United States and to some extent Great Britain, have been so frequent and flagrant as to constitute an International scandal. The nations not signatory have carried on an open trade. The above is well known to our State Department, and from time to time there has been some talk of abrogating this treaty, but up to the present no action has been taken as was developed by inquiries in Washington yesterday.

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* Pencil markings.

However, studies are being made on this subject in Washington, and it is possible that in the near future we will have something to communicate, although we cannot hold out much hope.

It may be well to invite your attention to the fact that we maintained for several years a correspondent at Pekin who was a former officer in the United States Service and who would have been capable of securing us gratifying orders had the laws of the United States permitted us to export. Our agreement with this gentleman was terminated only last March with the understanding, however, that should circumstances make it desirable to have a representative in China, we would be glad to reopen negotiations with him.

It may be well to add further that a joint resolution of both Houses of Congress approved January 31, 1922, grants authority to the President of the United States to issue a proclamation prohibiting the exportation of arms and munitions to any American country or any country in which the United States exercises extraterritorial jurisdiction, and should the extraterritorial jurisdiction be abrogated in China there would be no strictly legal method whereby the export could be stopped, but the above resolution has frequently been twisted to apply to matters beyond its intended scope, and we are inclined to think that the State Department would withhold export permits to China.

We will keep you advised of any further developments, but cannot hold out much hope of profitable business in this territory.

Yours very truly,

W. H. O'Gorman, *Ass't. Director.*
By ———, ———.

AS : LCM

Exhibit No. 886

[File M.S. 34–80–A. D–1769]

February 18, 1929.

China.

Col. W. N. Taylor,
16 Place Vendome, Paris, France.

Your letter T–1518.

Dear Sir: By the date you receive this letter you will have received copies of correspondence which we addressed to Capt. I. V. Gillis, of Pekin, China. We do not expect to hear from Capt. Gillis until about the end of March, as to whether Gillis can satisfactorily make contact with the southern Chinese Government. There is no reason why the Paris office cannot keep in touch with Col. de Fremery in accordance with your plans. Capt. Gillis will by no means interfere in any arrangements that you have made with de Fremery. On the other hand, he is a very high type of American, thoroughly familiar with American methods of doing business, likewise familiar with how to get along with the Chinese.

We would consider sending a powder engineer to China for the purpose of reorganizing the Chinese Government powder factory, providing we could get enough powder business to make it worth while. In this connection we suggest you write to de Fremery and have him outline a proposition which he believes might be acceptable to the Chinese. This seems like a fairly good prospect, and we believe the Paris office should follow it up through de Fremery, and we, on the other hand, will await Capt. Gillis' reply before telling him anything about de Fremery. Cooperation on the part of Wilmington and Paris office should bring this prospect to a successful conclusion.

Yours very truly,

W. H. O'Gorman, *Asst. Director.*

WHO'G–MHS.

EXHIBIT No. 887

[File MS-80-A, 84—Holland Government. T-1627]

16 PLACE VENDOME, PARIS,
May 17, 1929.

30 tons for 7.9 Mauser cartridges, Dordrecht.

Major K. K. V. CASEY,
E. I. DU PONT DE NEMOURS & COMPANY,
Wilmington.

DEAR SIR: 1. This letter refers to our cables 758, 759, 760, and to your cables 626, 627, and 628.

2. On May 13th we received an enquiry from Dordrecht relative to their desire to purchase 30 metric tons flake rifle powder for 7.92 Mauser rifle ammunition of the Turkish type, at a price of $1.54 per kilo c. i. f. Dordrecht. Delivery to Holland was to be made in two shipments of 15 tons each, the first arriving early in July and the second by August 1st.

3. We determined that this enquiry was in connection with a contract which Dordrecht expects to sign, for delivery of these cartridges to the northern Chinese government.

4. The order calls for 20 million cartridges, and the amount of powder involved is, therefore, 60 metric tons. Dordrecht has on hand 30 metric tons of powder in stock, which it desires to use on this contract, and therefore only required to place an order for new powder for another 30 tons. They insisted on flake, because this contract would be started on flake, and that they claim that they have less trouble with their loading machine when using flake, rather than tubular powder. We did not take this last remark very seriously, because Dordrecht has not yet tried to load our type of tubular powder, as the samples which we delivered to them recently have been sent to Hirtenberg, Austria, for test.

5. We understand that Dordrecht is to complete the contract by September 1st next; it is this term that determined the dates of delivery for powder.

6. We duly received your reply accepting the order, but this acceptance referred only to our tubular powders; we therefore sent you a second telegram, making the enquiry for flake clear. We received your reply, fixing us date of delivery for flake. All our effort was then turned to getting the customer to accept tubular powder, and our negotiations were somewhat complicated by the fact that Mr. Mandl was not in Holland but in Vienna. Our negotiations have therefore been handled over the telephone with The Hague and with Vienna, and the position today is that Mr. Mandl states he can use our IMR 25 special, in accordance with the sample we delivered, and that he will order 30 tons of this powder as soon as his contract with northern China is actually signed. This signature is expected within one week, and we have told Mr. Mandl that we will have to retard the dates of delivery of the powder in proportion to the delay between the date of his enquiry and the date he will place the order. Apparently this will be satisfactory.

7. As for the specification, we are trying to avoid the old Turkish specification altogether, and expect to get Mr. Mandl to order his powder in accordance with the sample we have delivered.

8. Our prospects of getting this order are therefore good, provided nothing happens to Mandl, with the signature of his contract between now and next week.

Very truly yours,

(S) FRED G. SINGER.
W. N. TAYLOR.

("EXHIBIT No. 888" appears in text on p. 2327)

("EXHIBIT No. 889" appears in text on p. 2328)

("EXHIBIT No. 890" appears in text on p. 2331)

("EXHIBIT No. 891" appears in text on p. 2332)

EXHIBIT NO. 892

[File 34—Chinese Gov't. Ms.–100–D. S–30]

WASHINGTON, *August 20, 1929.*

Called on Major Ford and Captain John K. Christmas, of the Ordnance Department, U. S. A., in reference to a gun which could be used for testing powder under consideration for China. The technical details of this discussion will be found in a separate report. In general, there will be no objection on the part of the Army to sending a Navy gun to Aberdeen for firing.

Called on Cmdr. Lee P. Johnson, Bureau of Ordnance, and took up with him the question of securing a Navy landing gun or boat gun to be used in testing the Chinese powder. The technical details discussed with Cmdr. Johnson will be found in an attached report.

Since Cmdr. Johnson is about to go on leave, it was considered wisest to make arrangements with Capt. Pickens so that the gun could be sent on short notice, even if Cmdr. Johnson was absent.

Capt. Pickens offered no objections to sending any of the 75-m/m guns to Aberdeen, but suggested that we arrange with the Ordnance Department, U. S. A., to write a memorandum to the Navy, stating that they heard such a gun was available and requested that it be sent to Aberdeen Proving Ground for experimental firing.

Capt. Pickens requested that this gun be shipped from the Washington Naval Gun Factory collect and that the carrying charges be paid in cash from the du Pont fund available at Aberdeen. When the gun was returned to the navy yard it should be sent with the carrying charges prepaid from the same fund.

The cost to fire a Navy 3″ gun, including projectile, powder, primers, wear and tear on gun, etc., is $16.09 per round. The cost of a loaded cartridge is $11.00 per round, and since the figure for the complete charge includes the cost of labor, the cost of firing for wear and tear on the gun will be less than $5.00 per round.

Called on Colonel Drysdale and Colonel Foy, of Military Intelligence, where the question of United States Government inspecting powder for China was raised. Since war has not yet been declared between Russia and China, there is no reason at the present why the United States should not act toward China as toward any other friendly nation, but in the event of war the United States Government could not inspect powder for China, and the State Department might possibly take the attitude at the present time that since some fighting had occurred on the border the United States should not become involved in the supply of munitions to either side. For this reason I did not visit the State Department or the Chinese Legation, and strongly recommend that the du Pont Company refrain from mentioning the matter to either of these at the present time. There is a very current belief in Washington that negotiations between China and Russia will be reopened at an early date, in which event the question of inspection would be much simpler.

Russia is supposed to have two army corps, to a total of about 35,000 men, in eastern Asia. The Chinese have over 100,000 troops in the area involved and occupy a strong defensive position behind a mountain range. Since China has taken over the railroad and claims it is theirs, the Chinese will act on the strategic defensive, and it is not believed that the Russians will attempt an advance. The exact location of the border in many cases is very vague, so that the reported raids may amount to nothing more than foraging parties who do not know precisely where they are.

AS : RVC AIKEN SIMONS.

("EXHIBIT No. 893" appears in text on p. 2334).

("EXHIBIT No. 894" appears in text on p. 2336).

Exhibit No. 895

October 29, 1931.

Mr. N. E. Bates,
E. I. du Pont de Nemours & Company, Wilmington, Del.

Dear Mr. Bates: For the purpose of your trip to China we are giving you as follows all the information which occurs to us that may be of value to you in having Chinese Government orders for cartridges placed with us.

First, we should like to call your attention to our cable address, Hartley, New York, in the event you find it necessary to cable us at any time.

Mr. E. A. Sykes, manager, S. J. David & Company, 43 Kiansgi Road, Shanghai, China, has been our agent on commercial firearms and ammunition for some time and in addition we have of late tried to have him operate for us on Government business, but nothing has ever materialized. You will find he has been in communication with your Shanghai office on Government inquiries. As Mr. Sykes did not have any direct contact with the Government officials in Nanking he last year appointed Drysdale & Company, of Nanking, as his subagent on Government business. Some months ago Mr. Sykes wrote us he was very much disappointed at not having achieved any success for us and felt Drysdale & Company should be cancelled. We agreed this be done and asked Mr. Sykes to continue for us in the absence of knowing any better agents. However, our arrangements with S. J. David & Company on Government business do not call for absolute recognition of them in any transactions, and they would appear in the picture only if they originated business themselves. We should like to recognize them if we could, but it is not obligatory, and if any commission on their part would jeopardize the business we know they would be entirely willing to step out of the picture.

We are enclosing a letter of introduction to Mr. Sykes, whom the writer met in Shanghai, and we are sure you will find him a very fine gentleman and willing to cooperate with you in every manner possible. We suggest you have him introduce you to Mr. Fairbairn, of the Shanghai Municipal Police. Mr. Fairbairn is a very good friend of Remington products, and was at out factory about a year ago.

Our last letter to your company on prices for 7.9 cartridges quoted $23.00 per M net to us c. i. f. Shanghai. This price is extremely low, as you will recognize, and it includes the cost of tin lining only if it was found necessary to provide this manner of packing at the price quoted because of competitive conditions, but if we could waive the tin lining we should, of course, like to do so in order to cut every corner of expense. Furthermore, this price is based on the present market prices of raw materials and the low freight rate now existing for water transportation to Shanghai. If the freight rate increases considerably we would have to give further consideration to the price of $23.00, but we understand the present level of ocean freight will remain unchanged for at least a couple of months. Our price does not include the cost of any cartridge clips.

This price of $23.00 per M, c. i. f. Shanghai, provides for shipment via the Panama Canal. If rail transportation from Bridgeport, Conn., to the Pacific coast were required in order to save time the price would be $24.00 per M, c. i. f. Shanghai, to provide for the extra freight expense by rail to the Pacific coast.

While 7.9 is the principal cartridge in China, you know they have many arms of other calibers. For example, there are at least 50,000 Russian rifles, caliber 7.73, of our manufacture, which were taken over by the Chinese about 1920 when en route to the Russian white army at Vladivostok. Then they have Japanese rifles, caliber 6.5, and also Colt machine guns, caliber .30, '06 Springfield. May we suggest you learn if there are any chances of getting business on these calibers? This might be especially opportune on caliber 6.5, as China will not want to purchase from Japan as they did in the past. On this caliber we feel that if competition forced it we could quote on large quantities the same price as on caliber 7.9. On .30 Springfield they usually take the 150 grain bullet and we believe a price of $30.00 per M, c. i. f. Shanghai, or slightly higher, would get the business. On all these prices we are giving you the very lowest figures, based on our present costs, and if the competitive prices allow we should certinly like to see better prices obtained, which we know you would arrange if possible to do so, using these base prices only when forced to it.

So you would know what we are doing, we gave you in confidence the name of George Sokolsky, who is now in New York, and according to our information, although he does not say so himself, Mr. Sokolsky represents the Soong interests. You know, Mr. T. V. Soong is the Chinese Finance Minister, and his sister is the wife of President Chiang Kai Shek. At our request Mr. Sokolsky about two weeks ago sent a cable in his private code to Mr. T. V. Soong, asking if he was interested in obtaining supplies of 7.9 cartridges, but so far no response has come in.

About a year ago the Chinese Government was interested in obtaining caliber .30 '06 Springfield cartridges with tracer bullets, and at that time we were not in a position to supply them. Now we can manufacture tracer bullets, and if you find any interest can be aroused we are prepared to quote $85 per M, c. i. f. Shanghai, which includes the cost of tin lining of the packing cases. This price will apply not only on .30 '06 Springfield, but also 7.0 or any other tracer-bullet cartridge with the exception of .50 caliber.

On caliber .50 ammunition we are still feeling our way somewhat on the subject of prices, for we have found our competitors in Europe quote according to the circumstances in each country. For the present we believe the following prices should govern, but if you find competition dictates a lower level we should like to have your advices, for it is possible we could make some revision. For the .50-caliber cartridge, with armor-piercing bullet, $300.00 per M; for the .50-caliber cartridge, with tracer bullet, $300.00 per M; for the .50-caliber cartridge, with service bullet, $250.00 per M. All these prices are c. i. f. Shanghai, and include the cost of tin lining on the packing cases. They provide for shipment via the Panama Canal, but if rail transportation from Bridgeport to the Pacific coast were required there would be an additional charge of $10.00 per M.

You are probably aware that on the order we now have for the United States Government we are supplying .50-caliber cartridges with the service bullet, and we would prefer to sell these rather than the armor-piercing bullet.

For your confidential information, we are enclosing two photostat copies of the letter from the United States Chief of Ordnance, endorsing our .50-caliber cartridge with ball and tracer bullets. We are also handing you herewith six dummy cartridges of .50 caliber, as these may be of interest to the Chinese officials in Shanghai and Nanking with whom you will come in contact.

We told you of the inquiry the American Trading Company in New York received from their Shanghai office for 20,000 Springfield rifles, which of course are not obtainable. Instead they cabled quotations on our stock of 5,000 French Colonial rifles, caliber 8 m/m. The cable stated the rifles could be shipped immediately and the cartridges would be available in about 2 weeks' time. This don't portray the whole picture, as the American Trading people here know we intended to obtain those cartridges from France, having been offered them by Société Française des Munitions, Paris, France. The cartridges were manufactured during the war and the only guarantee we would give on them would be the identical guarantee S. F. M. would give us. They have said they were in first-class condition. The only reason for offering the cartridges of French manufacture is that immediate delivery was essential and, of course, it would take us some time to get into production on a worth-while quantity of 8 m/m Lebel cartridges. Therefore, we were willing to sacrifice the ammunition business in order to dispose of the rifles. We quoted the American Trading Company $12.00 each, f.o.b. Ilion, New York, on our French Colonial rifles and $18.00 per M, f.o.b. a continental port on the 2,000,000 8 m/m Lebel cartridges. Naturally, this price was considerably advanced when the American Trading Company's office in Shanghai quoted the Chinese Government.

Just so you will know what these French Colonial rifles are we enclose two photographs as well as two memorandums giving particulars on them. They are brand new, never having been used, and were manufactured by us for the French Government during the World War. The actual manufacturing cost was about $30.00 per rifle and our price of $12.00 each was established to close out this remaining stock.

We shall appreciate any assistance you can give us in obtaining some business and shall be especially glad to have your advice if we should establish new connections for Chinese Government business. After you have reviewed the situation in Shanghai and Nanking, you will be in a good position to advise us on this point.

Hoping you have a successful trip and with kindest regards, remain

Yours very truly,

REMINGTON ARMS COMPANY, INC.,
——— ———, *Export Manager.*

FJM: AF.

("EXHIBIT No. 896" appears in text on p. 2339)

EXHIBIT No. 897

[From New York Herald Tribune, Nov. 30, 1934]

AMERICAN FLYER KILLED STUNTING PLANE IN CHINA

Dorsey, former Army pilot, crashes near Shanghai

[From the Herald Tribune Bureau. Copyright, 1934, New York Tribune, Inc.]

SHANGHAI, Nov. 28.—Edward R. Dorsey, American flyer and former second lieutenant in the air reserve, was killed today at the Hungjao airdrome, near Shanghai, while stunting in a Boeing fighting plane which he came to China last month to demonstrate. A wing touched the ground and the machine crashed, killing Dorsey instantly.

He was the second American pilot within five months to lose his life in a similar accident here. On July 12 Carl A. Nahmmacher, of Brooklyn, failed to come out of a power dive while testing a Vought Corsair machine.

Dorsey was a graduate of the Army Air School at Kelly Field, Tex., and had been engineering officer of the 73d Pursuit Squadron, at March Field, Calif. He flew one of the the western routes when the American Army took over the air-mail service this year for a brief period.

Dorsey was twenty-three years old. Surviving are his mother, father, and four sisters, all of whom reside at Phoenix, Ariz., the flyer's native city.

Ten days ago Dorsey had escaped death narrowly while flying from Nanchang to Shanghai. Encountering fog, he came down over the Hangchow Bay and made a difficult landing near nightfall on the Chekiang coast, where he remained lost for three days.

("EXHIBIT No. 898" appears in text on p. 2340)

EXHIBIT No. 899

[Copy]

285 MADISON AVENUE,
New York, April 7, 1934.

HD/111.

Credits on Government orders.

The HOME DIRECTORS,
IMPERIAL CHEMICAL INDUSTRIES, LTD.,
London.

DEAR SIRS: Some time ago we received an enquiry from the Nanking Government through the Jardine Engineering Corp., Ltd., for 50 million rounds of 7.92-mm. Mauser rifle cartridges, amounting in value to about £213,750.

The terms on which the Government wished to buy, and had recently made purchases of other war material, consisted of delivery over a period of 12 months and payment in 30 equal monthly instalments. Under these conditions the outstandings would mount with each delivery after the second, reaching at the peak a sum of £128,250.

Quite early in the negotiations, J. E. C. informed us, much to our surprise, that they were not prepared to accept del credere on this business, and they suggested that they should attempt to secure this business entirely at our risk on a commission to them of 2%. They considered the risk to be as good as any Government risk in this country, and their refusal to accept del credere was due entirely to heavy commitments in other directions connected, we believe, with Vickers.

Having meanwhile discussed the position with the chairman of J. E. C. and with Mr. H. J. Keswick and received the impression that J. E. C. might be persuaded to give way to some extent, we cabled to you on March 7th and received your reply of March 8th, in which you consented to accept up to 60% of the risk. We have informed J. E. C. that you are prepared to meet them in the matter without yet saying to what extent, and negotiations are suspended pending revival of the enquiry which is at the moment in abeyance.

The agreements entered into by J. E. C. with I. C. I. and du Pont, respectively, describe J. E. C. as del credere agents, and you and du Pont had no doubt assumed, as we have done, that del credere on business done through J. E. C. would fall entirely on them. Their attitude towards the present enquiry made it necessary to clarify the position for the future. We informed J. E. C. frankly that we were disappointed, as you would be, with their repudiation of an obligation expressed in the agreements and confirmed by previous practice, and we stressed particularly the difficult position in which we might be placed vis-à-vis du Pont. We told them that to commit themselves in other directions to such an extent as to be unable to accept any risks on our behalf was in our opinion not consistent with their duty as agents of I. C. I. and du Pont, and we expected them to give us assurances that this position would not arise.

The outcome of the conversation was an assurance given to us by J. E. C. that they would be prepared at any time to accept del credere up to Ch. $400,000; the actual arrangement is given in more detail in the attached copy of our letter to J. E. C. of March 19th, and had been confirmed by J. E. C. in almost identical wording.

In order to avoid future misunderstandings it seems to us that du Pont should be informed of the position without delay, and that this matter can best be handled by you. We, therefore, request you to take whatever steps you consider necessary to deal with du Pont.

Although the agreements describe J. E. C. as del credere agents, they appear to have overlooked the possibilities of business and credits on a scale and of a magnitude beyond the capacity of a merchant house to finance, and we have to admit the justice of J. E. C.'s contention that they cannot be expected to accept unlimited responsibility.

The prospect of business on a big scale, increased by the removal of the export restrictions in respect of shipments to South China, makes it necessary to face the fact that the manufacturers might at any time be called upon to accept substantial del credere risks in addition to those carried by J. E. C. We should be glad to know whether in principle you are prepared to trade on these terms and to be informed in due course of duPont's policy in the matter. No recommendation for accepting del credere would, of course, be passed to you or du Pont unless we and J. E. C. considered that the business could be classed as a fair trading risk.

Yours faithfully, for
IMPERIAL CHEMICAL INDUSTRIES (CHINA), LTD.,
CM/ (Sgd.) G. A. HALEY.

EXHIBIT No. 900

JANUARY 3, 1933.

Mr. F. C. NICHOLS,
Vice president Colt's Patent Fire Arms Mfg. Co.,
Hartford, Conn.

DEAR MR. NICHOLS: I had an air-mail letter today from Mr. James H. Spencer in which he says he is still dealing with the Bolivian and Paraguayan Ministers at Santiago, and so far has not found it necessary to make the trip he contemplated.

Among other things, he reports the following which I thought would be of interest to you if you have not already been advised:

"It may also interest you to know that England has sold to Bolivia the following equipment:

In Apl. 1932—8 machine guns 7.65 caliber.
In Aug. " —100,000 rounds 7.65 ammunition.
In Sept. " —90 machine guns 7.65 caliber.
—2,000,000 rounds 7.65 ammunition.
—154 machine rifles, 7.65.
In Oct. " —6 army tanks.
In Nov. " —2 machine guns 7.65 caliber.

"At the same time British manufacturers have supplied to Paraguay:

4,000,000 rounds of 7.65 caliber ammunition.
1,000,000 rounds of .303 " "
200,000 clips for 7.65 ammunition."

With kindest regards.

Yours very truly,

Remington Arms Company, Inc.,
F. J. Monaghan,
Manager Foreign Depat.

FJM: N

Exhibit No. 901

[Cable from N. E. Bates, August 20, 1933]

Cable No. 19. Bolivian Government wants quotation per case c. i. f. Arica, Chile, 500 cases 62% Gelignite 3½ by ⅞. Previous order placed with Noble, Hamburg, Germany. Agent's price per case c. i. f. Arica, Chile, 3 pounds sterling, 10 shillings. Must Explosives Industries, Limited, or Cia Sud American de Explosives, Valparaiso, Chile, handle or can we quote E. I. du Pont de Nemours & Company at a lower figure, agent's commission included? Hamburg, Germany, has been getting all Bolivian Government Gelignite, as their quotations always lower than the others. If you can quote, quote also on 42% Gelignite. Bolivian Government wants quotations per 1,000 c. i. f. Arica, Chile, 10,000,000 cartridges 7.65 m/m Mauser rifle with and without clips 10 gram weight of powder charge approximately 3.1 grams. Instrumental velocity at 25 meters 825.1 in the long barrel, 804.1 in the short barrel. Mean pressure 2,691 atmospheres. Last order 10,000,000 cartridges placed with Raufess in Norway at a price per 1,000 c. i. f. Arica, Chile, 4 pounds sterling, 15 shillings, 6 pence with clips, 4 pounds sterling, 11 shillings, 4 pence without, but the Secretary of War hints $15 per 1,000 c. i. f. Arica, Chile, with clips can get business. Cable lowest possible prices net to us Arica, Chile. When will delivery be made? Refer to your cable no. 12 is Luger same as Schmeisser. Strongly recommend Webster & Ashton, La Paz, Bolivia, as Remington Arms Company agents. Webster & Ashton are Dominion Cartridge Company's agents for commercial sales until end of this year, but are free to assume Remington Arms Company's military agency immediately and will drop Dominion Cartridge Company end of this year and then handle both commercial and military for Remington Arms Company exclusively thereafter. No sales of commercial ammunition possible Bolivia at present. Powder plant project has been abandoned. On account of censorship impossible to report in writing Bolivian matters until my arrival Buenos Aires, Argentine. Cables to and from La Paz, Bolivia, are not censored.

Exhibit No. 902

Palace Hotel, Rio de Janeiro,
October 27th, 1933.

Dear Frank: I have been traveling very fast during the last eight weeks, and for being tired, and because of excessive writing of urgent natures, I haven't got down to writing you during that time.

About two month ago, the whole picture here changed. The President of the State of Mná Geraes died. He was a man of great power. He was the only State leader who after the revolution remained in power. Every other State was under control of the central government, and was ruled by a military "Interventor" sent there by the central government. Minas Geraes alone, retained its independence, and retained its prerevolution president. (Equivalent to Governor).

The death of the President of the State of Minas Geraes brought the State under complete control of the central government. The State was forced to accept control and inspection of every nature, to sign away their powers of independent purchase of material for their police force, and even to give up all automatic arms in its possession. Therefore my efforts to secure the business of 50-caliber antiaircraft machine guns and corresponding cartridges, came to a sudden and unexpected close. It is definitely over, and there is no chance now with the State government. My efforts along those lines are continuing with the central government, for both the Army and the Navy. Nothing will be purchased this year.

I spent about 10 days in Paraguay. For your guidance, the agent you have is in my opinion the only man capable of securing business for you. We also use Manuel Ferreira. He is live and dependable. He has secured business for us. I will give you more details when I see you. I expect to be leaving for home soon, altho the definite date is not yet set.

For the moment, the main purpose of this letter is to let you know the cartridge set-up in Paraguay. They have purchased almost all of their requirements from Imperial Chemical. So far, 35 million cartridges have been bought from them. While I was there, the last order of 5 millions went thru. Paraguay receives credit of over 18 months. There is a payment of 25% with the order, six small payments of approximately 4% which are made at the time of shipments, then 18% six months later, 16% six months after that, and 16% six months after then. Which makes about a year and three-quarters time for payment, with deliveries completed within three months. The Imperial Chemical Co. is getting a price of five pounds fourteen shillings per thousand C. I. F. Asuncion. Please keep confidential the source of your information. Paraguay also bought 10 million rounds from a German source, but that sale was made long ago.

I met Barata yesterday, and he advised me that Frank Jonas is coming down here for your company. I understand he is leaving on the 28th. I shall see him on arrival, or shortly afterwards.

If there is anything you wish to write, I think you can still reach me here at Rio by air mail.

Best of wishes, and expecting to be home before long.

Cordially yours, (Signed) GEORGE.

EXHIBIT NO. 903

REMINGTON ARMS COMPANY, INC.,
29 Warren Street, New York City.
Cable Address: "Hartley."

To Messrs. WEBSTER & ASHTON,
Address, La Paz, Bolivia.

This will acknowledge your cablegram dated Aug. 24/34, reading as follows:

Code words	Translation from
GIUJY	loan
AOSSW	arrangements not yet completed
LEAFG	should be
CAJXU	completed
HCEIH	Monday or Tuesday
JEUSB	remittance by cable
EXKUM	immediately after

Yours very truly,

REMINGTON ARMS CO., INC.,
H. N.
Export Department.

EXHIBIT NO. 904

[MS-176, MS-100, 151-Rem. Arms Co.]

Memo for Major Casey. FEBRUARY 5, 1934.

VISIT TO REMINGTON ARMS COMPANY, BRIDGEPORT, CONN., FEBRUARY 2ND

Went to Bridgeport mainly to discuss matters with Mr. C. K. Davis and Mr. E. E. Handy. On account of extreme pressure of urgent business neither Mr.

Davis nor Mr. Handy were able to talk to me concerning the object of my visit. Saw Messrs. Monaghan, Hadley, Risinger, Larson, Carpenter, and Chasmar, and discussed with them at length the situation and requirements for ammunition in the various South American countries I visited during my recent trip.

Military rifle.—Remington does not manufacture a military rifle appropriate for South American use. The only military they are prepared to manufacture is the British Enfield model which weighs 11¾ pounds—too heavy for the pigmy Indian soldiers of the south. It was decided by Messrs. Hadley, Monaghan, and other technicians at the plant that this Enfield rifle could be considerably lightened, and experiments are to be made shortly at Ilion, N. Y., tending to produce a much lighter rifle, using the Enfield as pattern for this purpose. Mr. Monaghan requested that we send to him as soon as possible one of the 7 MM Steyr rifles I brought with me from Chile for ideas. It is also Remington's intention to develop a carbine.

Ammunition.—It was found that Remington had begun to experiment with the " S " and " SS " service and armor-piercing bullets of various weights to conform with South American specifications. Heretofore, no experimental work had been done on the boattail " SS " service or armor-piercing bullets, and very little on the " S " armor-piercing bullet.

In 1926 I brought with me 500 Argentine components for testing purposes in Burnside. Among these were included some armor-piercing 7.65 projectiles. Mr. Hadley would like us to send him a few of these bullets for examination.

Accompanied by Mr. Frank J. Monaghan, visited Patino Mines and Enterprises, Inc., 20 Exchange Place, New York, and spoke to Mr. Gumucio, New York manager, and discussed with him the problem of Patino Mines assuming payment responsibility on a prospective 10,000,000 7.65 mm ammunition order for Bolivia. Mr. Gumucio seemed very hopeful that these arrangements could be consummated, and promised to speak to Mr. Patino himself about it. Mr. Monaghan is to call Mr. Gumucio Monday, February 5th, at eleven o'clock, to obtain Mr. Patino's opinion.

Called on Sr. Decker, Bolivian consul in New York, and had a very pleasant conversation about Bolivian matters in general.

Saw George S. Forman, South American representative of Colt's Patent Firearms Company, who is returning to Rio de Janeiro next Saturday. Conditions and prospects on the West Coast of South America was discussed with Mr. Forman. I advised him it would be most desirable he should visit Chile, Peru, Bolivia, Ecuador, Colombia, and Venezuela. Opportunities for good business exist in all these countries, not only for military but also for police. Mr. Forman advised he was going to persuade Mr. Nichols to permit him to make these visits.

N. E. Bates, Jr.

Exhibit No. 905

Remington Arms Company, Inc.,
29 Warren Street, New York, N. Y.

To Messrs. Webster & Ashton,
La Paz,
Address: Bolivia.

This will confirm our cablegram dated Feb. 5, 1934, reading as follows:

Code words	Translation	Code words	Translation
PATINO	Patino	MQEPY	(On) terms named by us
DODKA	Desirous (of)	IPZOF	Cannot reduce prices
EUDTO	Helping	JYCTO	Rumors (of)
MOYCO	Terms	NHIAT	Trouble
NIZMO	Unable at present (to)	EGVTI	Europe
DYIWR	Do so	KOSOJ	Will (would) seriously
ETREK	He	FIXLY	Interfere
MEXEH	Suggests	DIAYL	Deliveries
ERXEC	Guarantee	EOODH	From there.
ATIUN	Central Bank		

Yours very truly,

Remington Arms Co., Inc.,
H. N.,
Export Dept.

EXHIBIT NO. 906

SPENCER & WATERS, LTD.,
HUERFANCES *948 Casilla 627, Santiago, Chile,*
24th December 1932.

Via Aerea.
For F. J. M.*

Mr. F. J. MONAGHAN,
Manager Foreign Dept., Remington Arms Co., Inc.,
Bridgeport, Conn.

DEAR MR. MONAGHAN: In due time I received your letter of December 3 and I can quite realize your interest in knowing of any development that has taken place since my telephonic conversation with you on December 1.

At the time I called you on the phone the situation looked like red hot, in view of the insistence that I received from the Bolivian Minister in this city and at the same time from people in the Argentine, who were very anxious that I go there at once to terminate negotiations. Subsequently I learned from the Bolivian Legation that for the moment it was not necessary to make any trip to the Argentine and that negotiations could be carried on here just as well. At the present moment the entire situation seems to be at a standstill, but something may break any moment, in which case you can be assured that I will act quickly.

On the other hand, the Paraguayan Minister, also in this city, has asked for authority from his Government to radicate the purchase of equipment here, and in this respect I am also waiting for definite decision.

I fully realize that I have no authority from you to carry on negotiations for any country outside of Chile, and I am not attempting to poach on anyone else's territory without specific instructions. The situation, however, in this respect is one that no doubt you could properly adjust in the event of the business being decided here.

In the meantime I have submitted the quotation you have given on 7.65-caliber ammunition, rifles, and Thompson submachine guns and ammunition. It is my understanding that Paraguay has credit in New York to make payment for any material that may be purchased, and on this score the situation is quite clear.

It may be of interest to you to know also that the Bolivian Minister in Paris, Mr. Simon Patino, multimillionaire, who has made his fortune out of the tin mines in Bolivia, has offered to finance anything that Bolivia may want.. so that in the event of anything being purchased for this latter country the financial end of it would be well cared for.

SPENCER & WATERS, LTD.,
Huerfance 948 Casilla 627,
Santiago, Chile, 24th Dec. 1932.

Via aerea.

Mr. F. J. MONAGHAN:

It may also interest you to know that England has sold to Bolivia the following equipment: in Apr. 1932, 8 machine guns, 7.65 caliber; in Aug. 1932, 100,000 rounds 7.65 ammunition; in Sep. 1932, 90 machine guns, 7.65 caliber; 2,000,000 rounds 7.65 ammunition, 154 machine rifles, 7.65: in Oct. 1932, 6 army tanks; in Nov. 1932, 2 machine guns, 7.65 caliber.

At the same time British manufacturers have supplied to Paraguay 4,000,000 rounds of 7.65 caliber ammunition, 1,000,000 rounds of .0303 caliber ammunition, 200,000 clips for 7.65 ammunition.

I notice in the press that there is considerable agitation in Washington circles to put an embargo on shipments of any ammunition to any of these countries practically at war, but in the meantime European manufacturers are selling all they possibly can. It, undoubtedly, makes it very difficult to try to carry on negotiations in the face of difficulties that might arise from the State Dept. in Washington, all of which make me feel that in the last analysis the U.S. Government would stop any shipments of war material. You might set me aright in this respect and let me know definitely what is the situation. It would be no use to carry on further negotiations with any of the countries that may want war material, if there is no chance of getting it out of the United States.

I have carefully noted all the prices you give me in your letter under reply, and can but hope that something may come out of these negotiations.

With my kindest regards, sincerely yours,

(Signed) JAS. H. SPENCER.

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* Pencil note.

EXHIBIT No. 907

BRIDGEPORT, CONN., *January 4, 1933.*

Mr. J. H. SPENCER,
Casilla 627, Santiago, Chile.

DEAR MR. SPENCER: I am very glad to receive your letter of December 24th for I have been wondering of late the reason for not hearing anything from you. Lately I have seen quite a bit of Mr. F. C. Nichols, of Colt, and naturally your name came up on a number of occasions.

Very sorry the *red hot* situation did not develop into immediate business, but I can imagine you are playing both the Bolivian and Paraguayan ministers for anything that might materialize. You are quite right that the situation so far as an agency is concerned in both countries, is such that we can adjust things later. The main object is to get the business and we know no one we would prefer to you in handling the negotiations.

You refer to Mr. Patino. His company in New York inquired for prices on cartridges some time ago, but nothing came of it so far as we could learn. Only a week or so ago I called on one of their men in response to their request on cartridge machinery. I explained how uneconomic it would be for them to go into such a venture and he was going to refer the matter to La Paz.

We have not had a single bit of business from Paraguay and Bolivia and it just makes us sick to realize the business has gone to Europe. Colt has been able to get some business through the aircraft companies, those machine guns being mounted principally on planes. I can't speak for them, but I certainly think they and ourselves have actually been asleep so far as actually doing something to get the business. Anything you can suggest to us to improve our picture would certainly be appreciated. In both countries, even our commercial agents are almost dead, or might just as well be.

In La Paz we have or had a man by the name of M. J. Miller.

Paraguay is covered by Palmer & Co. who, you know, represent us in the Argentine, but it is a long time since they made a trip to Asuncion.

When Mr. Webster of Curtiss Wright was in La Paz he tried to do something for us and we have a sort of promise for the next requirements of Bolivia.

About the agitation for an embargo on arms and ammunition from the United States, you can well appreciate when this first reached our ears from Washington, *we immediately got busy*, and we are thoroughly satisfied from the reports that came back to us there will be no embargo from this country. From what we hear the idea originated with the State Department, but is not receiving any serious consideration in Congress or by the President. We reached some mighty high officials in the Government and feel confident nothing will prevent the execution of any business we can get.

There is not a chance of any legislation going through without our knowing of it being started, and the steps we have taken will, we feel sure, enable us to get the opportunity to fully present our arguments which will kill any of these crazy ideas.

Hoping you are well and that the New Year will bring greater rewards than in the past, I remain, with kindest regards,

Yours sincerely,

REMINGTON ARMS COMPANY, INC.
F. J. MONAGHAN, *Manager Foreign Dept.*

FJM/N.

EXHIBIT No. 908

[Cable address "Recneps"]

JAMES H. SPENCER,
Casilla 627, Santiago, Chile, February 2nd, 1933.

Mr. F. J. MONAGHAN,
Manager Foreign Dept.,
Remington Arms Company, Inc., Bridgeport, Conn.

DEAR MR. MONAGHAN: I was very glad to receive your letter of January 4th, and I can assure you that for the last couple of months I have worked very consistently in connection with possible business with the different countries at war, both with local representatives of these countries, and, principally with the diplomatic agents right here in Santiago. At times I wondered what the trouble was and why decisions were so slow, but knowing as I do the Latin countries and what the "land of manana" really means, I am not altogether surprised, although, of course, quite disappointed that nothing has come of the entire matter so far.

I have spent quite a little money in telephonic calls—including one to New York—cables, and correspondence, in the hope, of course, that something would materialize in the interests of all.

Only last evening the Paraguayan Minister read me a cable from his country saying that our quotations were under consideration and that a decision would be reached shortly.

The same thing has come to me from the Bolivian Minister, but that is as far as I have been able to advance.

I have quoted on all kinds of ammunition, rifles, airplanes, and for Colt products, and I am still hopeful that something may come of it.

At times I thought that perhaps something might have been done if I had gone to some of these countries, but I cannot venture into that expense without something very sure.

There is no question that the press knew about the tendency of putting an embargo on shipments to belligerent countries, has caused untold harm inasfar as any actual business for American manufacturers. Europeans have exploited this idea very cleverly, and have been free to unload everything that these countries can buy from them.

On receipt of your letter this morning, I had an interview with both ministers of Paraguay and Bolivia, and assured them positively that there would be no difficulty whatsoever in supplying any material that they wanted from American manufacturers, and for them to please advise their respective governments at once by cable that there were no restrictions whatever. I know for a fact that these cables were dispatched, and I can but sincerely hope that we will get some results from these countries before long.

One of the last Grace steamers that came down from New York, according to press notices here, unloaded at Arica 276 cases of ammunition and something like 140 cases of firearms en route for Bolivia. What company in the States made this shipment, and how were they able to get the business?

I may have some information in the next few hours and, of course, if anything of interest comes up I will immediately get in touch with you by cable, or by telephone if it is necessary.

Very glad to hear from you, and with kindest regards to self and the other good friends in the company,

Sincerely yours,

(Signed) Jas. H. Spencer.

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